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WILL INDUSTRIAL ACTIVITY CONTINUE?

INTERVIEWS WITH SECRETARIES REDFIELD AND DANIELS—HOW WASHINGTON REGARDS THE BUSINESS OUTLOOK

By Barnard Powers

Charles E. Mitchell on the Banking Situation

PRESIDENT NATIONAL CITY CO. FORECASTS "SOUND INFLATION" IN AN EXCLUSIVE STATEMENT

Organizing the Railroad Investor

WHAT THIS NATION-WIDE MOVEMENT MEANS TO THE STOCKHOLDER

By Walter McNaughton

Securities of Shipbuilding Companies

THEIR STATUS AND INVESTMENT OUTLOOK

By Lawrence C. Smith

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FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 20. June 9, 1917 No. 5.

THE OUTLOOK

The Boom In Industrials—Income Tax Selling Checked—Factors In the Food Situation—Progress of the Loan—Business Conditions—The Market Prospect

THERE has been a great change in the tone of speculative markets during the last few weeks, but the improvement has been for the most part confined to the industrial section of the list. Taking the stock market as a whole, measured by the movements of 25 rails and 25 industrials, prices have so far recovered less than one-third of the long decline which lasted from the latter part of last November until the first week of May; but some stocks, notably Steel common, have touched new high levels for their entire history.

Some of the industrials, even, have failed to participate in the rise; the rails have followed it but sluggishly and some of them not at all; while bonds are still drifting along at or near the lowest.

Why Industrials Have Risen

THERE have been many reasons for this relative strength of the industrials. For one thing, Europe had fewer of them to liquidate, so that the burden for our investors to carry has not been increased as it has in the case of bonds and railroad stocks. Still more important, the great rise of commodity prices, which still continues, works in favor of industrial stocks and against bonds and railroad stocks—except to the limited extent that railroads may be permitted to raise their rates.

Many industrial companies have earned special war profits, which have built up the equities behind their common stocks. And, finally, the entry of our own country into the war has given a fillip to the business of these companies just when Europe's purchasing power began to show signs of exhaustion.

A factor which has tended to check profit taking by big interests is the prospect of a very heavy income tax on large incomes. A capitalist, for example, who has been carrying Steel common for some years, bought, let us say, at 75, might feel disposed to take profits at 135; but the 60 points profit would become a part of his income for 1917, of which perhaps 25 per cent. or in some

cases even more would be appropriated by the Government through the normal and super taxes on incomes. He is practically in the position of having to sell at 120 or lower when the market is 135, and may therefore hesitate to turn his paper profits into actual income.

Income Tax Selling Slackens

WHILE bonds and railway stocks have risen but little, their decline has been checked because they have now reached a level where it is doubtful whether the payer of the big super taxes on incomes can afford to sacrifice them even for the purpose of buying the tax-free Liberty Bonds. The untaxed yield of $3\frac{1}{2}$ per cent., which is likely to become 4 per cent. or higher through conversion into later Government bond issues, may be equal to a considerably higher yield on taxed securities than can be obtained from them even at their present low prices; but the fact has to be remembered that such abnormal income taxes are undoubtedly temporary, so that the loss of principal involved in selling, now has to be balanced against an increased interest yield for a few years only.

The action of the markets plainly indicates that many big capitalists now hesitate to take the loss of principal that would be necessary in order to make the transfer of their funds into the Government bonds.

The Food Situation

THE crop and food situation has a very important bearing on the whole industrial outlook. Some of the factors entering into it are a world-wide inflation of currency issues; a big gold supply in this country which reduces the purchasing power of gold; congestion of transportation and difficulty of handling all products, including foods; shortage of terminal facilities and ocean tonnage; a certain amount of hysterical buying and hoarding of foodstuffs by frightened consumers; sporadic combinations among middlemen in order to obtain exorbitant profits; a very moderate crop prospect; and the urgent necessity of helping to feed our allies in the war.

The Lever Bill proposes to give the President full power to do whatever may be necessary to meet this difficult situation. Price fixing has been discussed as a remedy, but that has its dangers, since high prices afford the strongest stimulus to greater production, which is now the greatest need. It is quite possible that all supplies of wheat and flour may be commandeered by the Government and distributed as equitably as possible.

It is a curious fact that short selling, which has so many times been made "the goat" in Government investigations of speculation, is now the only form of trading permitted in wheat futures. New buying contracts are not allowed, but outstanding contracts may be closed and short sales may be made and closed. The natural result has been a decline in prices of wheat futures.

It is clear that the abnormal cost of foods must tend to check the consumption of other things, since a greater proportion of the family income must be devoted to food, and thus will affect the entire industrial situation.

The June 8 Government crop report is expected to show some improvement in the condition of winter wheat. The outlook for spring wheat is good but the increase in acreage has been less than desired. The increased use of whole wheat bread and a greater consumption of corn and rice will undoubtedly be necessary during the coming year.

Business Readjustments

THE Liberty Loan, involving such a heavy absorption of capital, the high and still rising cost of living, and preparations for meeting the proposed heavy taxes, have had the effect of curtailing somewhat the buying of luxuries;

but the big war demands in many industries have more than filled up the gap, so that there is no let-up in the general activity of business. Government requirements are such an important factor that other consumers are obliged to compete actively for the remaining capacity of factories, and that causes still further advances in prices that were already very high.

The steel industry is booked with orders a year ahead, and there is a disposition to place orders even as far ahead as 1919. The trade is proceeding on the expectation that two or more years of full production are assured.

The situation of the equipment companies is much the same. The United States Government is planning a rehabilitation of French and Russian railway equipment and orders are already being placed for that purpose. In the meantime our own railroads are being forced into the market for equipment almost regardless of price, because of the acute need of greater transportation facilities for war purposes.

There are, however, some considerations on the other side. Steel prices, while still advancing, have made slow progress for some time past, while iron has risen more rapidly. This necessarily means a reduction of profits for the steel companies if the tendency continues. Copper prices, although firm at the moment, are still several cents below the maximum, and many believe that the increase in copper production has been so tremendous as to equal even war demands. This feeling accounts for the failure of the copper stocks to keep up with the steels in their recent sky-rocket advance. Makers of pleasure automobiles are curtailing operations in anticipation of a smaller demand.

Progress of the Liberty Loan

THE vigorous work now being done assures the success of the Liberty Loan, but whether it will be oversubscribed to such a degree as to arouse genuine enthusiasm is a question still in doubt. It is likely that some large interests are holding back in order to encourage smaller subscriptions

Our principal corporations are of course unwilling to compete with the Government for capital. New financing was at a minimum during May, amounting to only $48,000,000. On the other hand, many new enterprises are being started, especially in the steel, shipbuilding, oil and chemical trades, so that new incorporations for May were the largest for any month since the war began in 1914.

The Market Prospect

AN interesting question is whether the rails will "have their turn." Some rate increases will almost certainly be allowed but a sweeping advance of the full amount asked for now seems unlikely. We are inclined to believe that it will be difficult to maintain any further important advance in the general average of railroad stocks at this time. There are too many adverse conditions which will counterbalance any rate increases that are at all likely to be granted.

The May boom in industrial stocks seems now to be entering upon a period of profit taking. The wisdom of that course, after such a sharp advance and in the midst of the very complicated and doubtful conditions arising from the war, seems evident.

Further advances are of course entirely possible, especially in those stocks where pools are active, but the best success is not usually gained by trying to wait for the top. Holders of these stocks who do not wish to lose the possibility of a further rise should at least protect themselves by placing stop orders which will in any event conserve a liberal share of their profits.

A month ago bearish views were all but universal. Now conservatism is being thrown aside. Professional interests are actively bulling their specialties. But the public has been slow to respond and a runaway market like that of last fall is hardly to be anticipated. —June 4, 1917.

Great Industrial Activity Forecast

Uncle Sam's Expenditure of Three Billions Means Work for All—Secretaries Redfield and Daniels Scout Business Depression Talk—Shortage of Plant Capacity and Labor

By BARNARD POWERS

IF there is anyone who believes that the United States is in this war in a desultory, dilettante fashion, let him take the first train to Washington and discover his error. Unless he is foresighted enough to make hotel reservations in advance he is likely to spend the night on a park bench, for the erstwhile sleepy city on the Potomac is buzzing like a hundred beehives and accommodations are to be had only through much influence and much gold. All roads lead to the Capitol, the city is teeming with activity and its broad streets and spacious corridors are thronged with the best, and perhaps some of the worst, that the nation has produced. For mingled with the patriots, men of genius, leaders in finance, industry, law, the army and the navy, who have gone to Washington to give their best to Uncle Sam, one finds the dreamer, crack-brained inventor, get-rich-quick "rainbow-chaser," in fact the whole crew of parasites who hope to profit through our present exigency. And all have to be heard and their proposals considered, for, as the head of one of the great executive departments said to me, among the bushels of chaff there is occasionaly a wheat kernel of an idea or a suggestion which is of value.

Spending Three Billions

The writer went to Washington a few days ago to find out what the prevailing opinion there is as to the industrial future of the country—whether war is likely to mean a curtailment of business activity and consequent depression, or whether it is likely to mean accelerated business activity and consequent prosperity. During my visit I talked with Secretary Redfield of the Department of Commerce, Secretary Daniels, head of the United States Navy, George Creel, who is in charge of the National Bureau of Public Information, the heads of various Governmental departments, representatives of big corporations who had gone to Washington to offer their services and their products to the Government, and prominent newspapermen whose fingers are daily and nightly on the pulse of national affairs. I came away with three very strong impressions, to wit: (1) That the United States is in this war in deadly earnest; (2) that the administration is fully prepared to see the war last for at least three years, and (3) that while the whole nature of the country's business is being revolutionized and some industries will be hard hit, nevertheless we are entering upon a period of tremendous activity as a whole which will tax the productive capacity of this country as it has never been taxed before.

Including the financing of our Allies we are now spending, in round figures, three billions of dollars in getting ready to fight. It is impossible to visualize such a sum of money and it is equally impossible to visualize the enormity of the task of its expenditure. The machinery of ordinary times was pitifully inadequate to the task. Additional officials, clerks and stenographers had to be added, new and enlarged quarters provided, the entire system revamped and enlarged.

Great Activity

I visited the State, Army and Navy building up and down whose broad steps passed and repassed an endless stream of human beings, reminding one at a distance of nothing so much as a tide of human ants. To obtain entrance to this huge, gray pile one requires a very good reason, and a pass, and then one is conducted, lest one should get into

the wrong place and consequently into trouble, by a guide in military uniform. Through the magic of the written word the uniformed guide was dispensed with in my case. The corridors were piled with office furniture like a New York office building on May 1, and the rasp of saws and the thunder of hammers made hearing difficult. In the Bureau of Accounts and Supplies, which was the only department which my limited time permitted me to visit, everyone was busy as the proverbial one-armed paper-hanger and the work of moving was going on at the same time. One of the heads of the department told me that specifications for an entire new wing were completed but two weeks ago and at the time of my visit the wing was completed and occupied. Those critics who are laboring under the delusion that Uncle Sam is taking a nap while the rest of the world is struggling for existence, are very badly misinformed. Uncle Sam never in his history had more to do nor was busier doing it.

Mr. George Creel, who is at the head of the National Bureau of Publicity, works eighteen hours a day but found time to discuss the situation. He deplored the fact that in certain quarters there is a tendency to predict business stagnation and depression as a result of the war, in spite of all precedent and the beliefs of the country's leading business men to the contrary. Mr. Creel, a firm believer in publicity of the right sort, is doing a great work in Washington. He objects strenuously to having his department regarded as being in the censor class instead of a promoter of the proper kind of information.

WILLIAM C. REDFIELD,
Secretary of Commerce, who told The Magazine of Wall Street's representative that we will have 120% business.

"Business 120 Per Cent."—Sec. Redfield

In a brief interval between a Cabinet meeting and a meeting of the Council of National Defense, Secretary Redfield talked to me. William C. Redfield has as much idea that war is likely to produce industrial stagnation in this country as that Washington is in imminent danger of a German bombardment. The very suggestion of a business slump struck fire from him at once.

"There is not the slightest danger of such a thing," he declared with the greatest emphasis, "not the slightest chance. On the contrary, there are not enough factories in the country to turn out all the things we need. Productive capacity is one of our greatest problems at this time. There has never been a time in the history of the world when a nation at war has been idle. I agree with Mr. Vanderlip's recent statement that instead of a slackening in business we will have 120% business as a result of the war.

Moreover, the war will result in far-reaching economic changes in this country. There will be readjustment and we shall arrive at an industrial independence."

Asked to explain what he had in mind by this the Secretary said that at the present time this country was practically independent of Europe in the matter of dyestuffs, that it would eventually be in the same position in regard to potash, optical glass, and many other commodities which we have imported formerly.

The following excerpt from a recent statement by Mr. Vanderlip is perhaps what the Secretary of Commerce had in mind when he mentioned Mr. Vanderlip's views on the subject of industrial activity.

"Business men should get rid of any foolish fears that economy will bring on a general paralysis of industry or trade. There is no danger of not having work for everybody; the trouble is that there is more work in sight than can possibly be done, and the question is whether we shall cut off luxuries or necessities. The farmers are crying for labor and the whole world is crying for food; the great industries like mining, lumbering, steel-making, cloth-making, transportation, ship-building, car-building, etc., etc., are clamoring for help; a million to two million men are wanted for the army and navy, and thousands of women will be wanted to take their places in shops and offices; the army must be clothed and shod. It is absurd under these conditions to talk of the danger of unemployment, and to urge that the people shall go on buying what they do not actually need in order to keep labor from unemployment or to maintain business as usual. How is labor to be had to make uniforms unless it is released from making other clothes; how are looms to be had for blankets unless released from something else; how is steel to be had for ships, tin can and agricultural implements unless other consumption is curtailed; how are women to be had for offices unless released elsewhere?"

JOSEPHUS DANIELS,
Secretary of the Navy, who believes America will hum with industry not only during the war but for a long time afterwards.

Sec. Daniels an Optimist

In Washington it is possible to obtain all manner of opinions in regard to the Secretary of the Navy. Mr. Daniels is probably one of the best liked and best disliked men in public life in this country. There are those who condemn his every action and others, whose opinion is equally valuable, who aver that he is the ablest man who ever held the Navy portfolio. It was with a feeling of keenest interest, therefore, that I was ushered into the great "throne room" with its magnificent portraits of former Secretaries of the Navy to where the present Secretary was holding his daily afternoon soiree with the Washington newspaper correspondents. Whatever unpopularity Mr. Daniels has achieved with the outside public he is a popular man with those closest to him. He has the keen eye and the shrewd mouth of the Yankee trader, and there is no resisting the warmth of his handclasp nor the cordiality of his smile. The reporters like him and I liked him before he had finished talking.

No Depression Possible

"Why don't you tell your readers," he began, "that with the world needing everything we produce there can be no depression. There are always a lot of Jeremiads who howl calamity, always a lot of people who look on the dark side of things—who see the hole and not the doughnut.

"While the war lasts there will not be a great deal of new construction, building of roads, schoolhouses, putting new bathtubs in houses to replace old ones and the like, but there will be a great demand for everything we produce.

"While the war lasts our energies must go to the war but when the war is over

there will be a tremendous peace demand. Part of France will have to be rebuilt"—then he broke off with a smile —"they say I am a chronic optimist, and I am an optimist," the smile died away and a tense look replaced it, "I am an optimist on the future of America," and he dashed one clenched hand into the palm of the other.

"The great loss in this war will be the lives of our young men," he spoke more quietly and there was a note of genuine sadness in his tones, "and that nothing can replace. I hear protests against paying taxes but when I compare the man who pays taxes with his neighbor who sends his sons to battle, the part of the former seems small by comparison."

Daniels on War Profits

Concerning war profits the Secretary of the Navy has the most pronounced views. On that subject he spoke with tremendous emphasis:

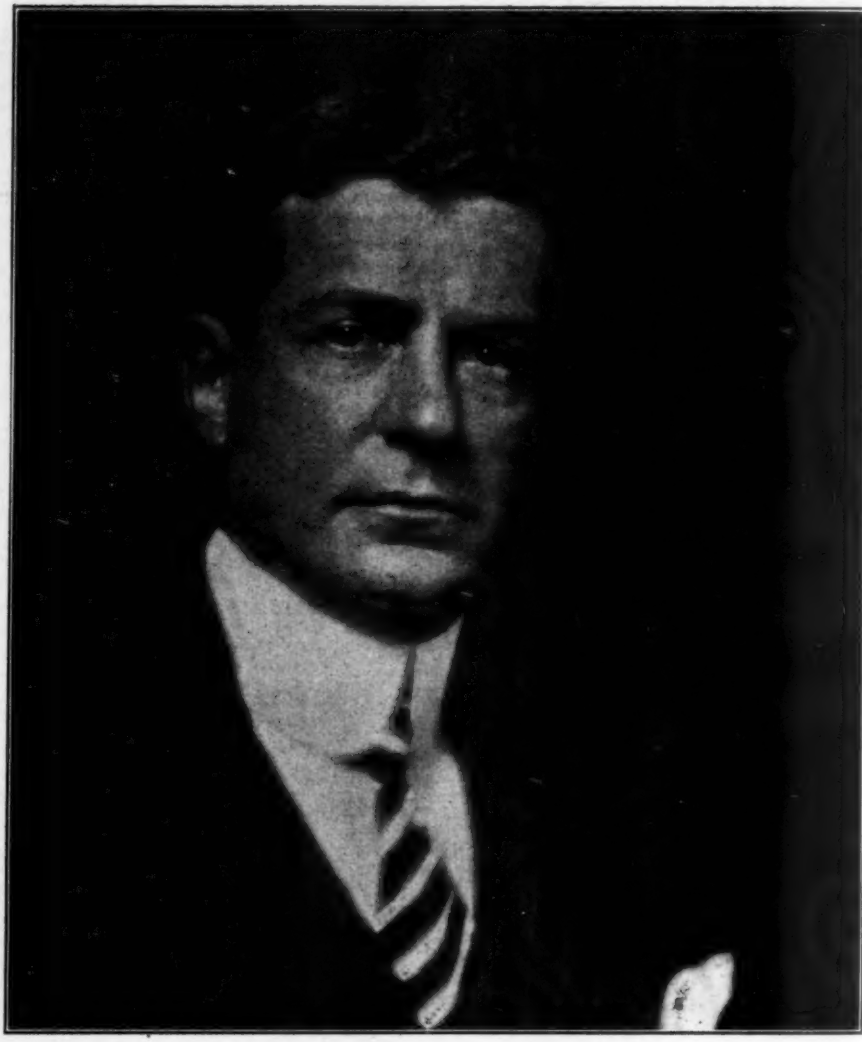
"It is a disgrace that anyone should make more than a normal profit out of this war," he exclaimed. "I made an address on that subject several days ago in which I said that the person who makes an abnormal profit is a slacker; he is worse; he is almost a traitor, for he is aiding the Germans. That is the thing I wish you would tell your people and that is what the newspapers should say with flaming headlines and hammer upon," and the force with which the Secretary of War uttered these remarks left not the slightest doubt but that he meant every word he uttered.

No one who has talked with any members of Mr. Wilson's Cabinet can believe that the Administration looks for anything but the greatest industrial activity in the immediate future. And no one who spends even a short time in Washington can fail to be impressed by the tremendous stir of preparation. It was impossible to get in detail the various awards which the government has made and is making, but one instance gives an idea of the extent of preparation under way. It is planned to build sixteen training camps, "cantonments" is the official phrase, with a military population of 30,000 each. This, in effect, means the construction of sixteen army cities, each complete in itself. Uncle Sam is buying copper, steel, aeroplanes, horses, ships, oil, wool, powder, uniforms, rifles, munitions, and the thousand and one accessories which go to the construction, equipment and training of the new army and navy. Nearly every important industry in the country will be affected directly or indirectly thereby. Certain industries, whose products come under the head of luxuries, such as pianos, automobiles, high-priced phonograph records, perfumes, etc., etc., will be unfavorably affected without question, but the net balance will be in favor of greatly increased industrial activity.

The skilled or unskilled workman who is out of a job now has only himself to blame. In fact he is likely to find it very difficult to keep out of a job for the drafting of a million or more men will have a very pronounced effect upon the labor market. Before we are through with this war labor is likely to be mobilized as the army is mobilized. With opportunity for every workman in the country to keep busy there can be no depression or hard times.

One hears some strange tales in Washington, of plans gone awry, important orders commanded and countermanded, of departments wholly inadequate and incapable of meeting the sudden and great pressure placed upon them, of colossal incapacity and unbelievable stupidity, but when one stops to realize that the trend of the whole nation's affairs is being diverted to new channels, one is inclined to the belief that there have been no more mistakes than were inevitable. The best civilian brains of the country are being drafted into governmental work and those brains will create such an order out of the initial and unavoidable chaos that the writer firmly believes the final verdict will be not how slowly or how poorly the work has been done, but how rapidly and effectively the great tasks have been carried through.

Meanwhile calamity howlers would do well to seek the safety of silence or else take a trip to the Capitol and learn how little they know whereof they speak.



MR. CHARLES EDWIN MITCHELL
President of The National City Company of New York

In an exclusive interview which appears in the following pages, Mr. Mitchell analyses the present banking situation and forecasts the future. His "sound inflation" phrase is likely to become as famous as the Harriman "circular trading" or the Morgan "undigested securities" utterances.

Mr. Mitchell, who is the head of one of the largest financial institutions in this country, was born in Chelsea, Mass., October 6, 1877, which makes him just 40 years old. Following a course in the public schools, he entered Amherst College and graduated in 1899. His first business experience was with the Western Electric Company, where he rose rapidly to the position of assistant to the president and later assistant manager. In 1906 he became assistant to the president in the Trust Company of America and in 1911 formed the banking firm of C. E. Mitchell & Co. At the height of the firm's prosperity Mr. Mitchell accepted the call of The National City Company and his firm was liquidated.

"Sound Inflation"

Head of National City Company Discusses the Banking and Investment Outlook with a Representative of THE MAGAZINE OF WALL STREET — Expansion of Loans and Deposits—Value of Federal Reserve System — Big Business in Prospect—Patriotism of Investment Bankers

By CHARLES E. MITCHELL

AS the head of the National City Company which in ordinary times is the largest distributor of investment securities in this country, Mr. Charles E. Mitchell is eminently qualified to speak on our banking and investment future. Therefore THE MAGAZINE OF WALL STREET asked Mr. Mitchell to give our readers his views on the financial and industrial situation and his remarks which follow, is the report of an exclusive interview with Mr. Mitchell by a representative of this publication.

The Banking Outlook

In regard to the banking prospects for the near future Mr. Mitchell said:

"The banking outlook would seem to promise easy money after the Liberty Loan operation is completed. We may look for expansion of loans, accompanied by expansion of deposits, resulting in inflation that will be a sound inflation. It will be a sound inflation and a safe inflation, since the basis for it is the soundest security on the face of the globe—the Liberty Loan—the promise of the United States Government, with its two hundred and fifty billion dollars of wealth and its one hundred million people to back it. After the expenditure of these billions of dollars now borrowed, the money will find its way back into the pockets of the people and loans will thus be liquidated and deposits at the same time decreased, producing a gradual and safe deflation. Ordinarily, heavy borrowings mean tight money, but with the credit and currency elacticity now perfected in our Federal Reserve System—almost psychological in point of time—we have a great safety valve. Through the opportunities of rediscounting and the issue of currency backed by Government bonds, there is no complete withdrawal of funds from the market."

Great Prosperity Ahead

Asked as to his opinion of the times ahead, Mr. Mitchell said: "After a brief period of readjustment, during which the attention of the American people will be drawn to war as a business, a period of great prosperity would seem to be assured. The expenditures of billions of dollars by the United States Government will result in an ultimate benefit to the American farmer, manufacturer and merchant that will be stupendous. The period of readjustment will bring slack times for manufacturers of luxuries, but with the larger demand for the supplies of war the quick turning of the wheels of industry from luxuries to war, business would seem more than probable, and as soon as such a change has been brought about in the character of business done, prosperity will assert itself."

Asked if this loosing of capital, accompanied by prosperity, would not eventually mean a big demand for luxuries, Mr. Mitchell said that undoubtedly there would in time develop a demand for luxuries from those who had newly prospered in war business. The demand for luxuries, however, would be largely from the *"nouveaux riche."*

Status of Investment Banker

When further questioned in regard to the conditions now existing in the investment banking business, Mr. Mitchell said: "The banking organizations of this country are devoting themselves freely and wholeheartedly, and without compensation, to the work of floating the Liberty Loan, and all other business is practically at a standstill. Banking houses are not only giving up their chances of profit along ordinary lines,

but they are giving the salaries of their employees to the United States Government, who, through the Liberty Loan Committees, is now controlling such employees. The bond salesmen themselves, many of whom rely for their 'bread and butter' upon commissions and premiums, are giving their services as freely as are the bankers themselves."

"Will not this method of flotation of Government loans seriously affect the future business and conditions of investment houses?" was asked. Mr. Mitchell answered: "This is all a practice which, if continued indefinitely, would bring ruin to the investment banking business, but in the emergency which is now facing the country, the emergency of making a success of a financial operation which will affect the cause of the Allies in their fight for the establishment of democracy, there has been no hesitancy on the part of the investment bankers or the commercial bankers of the country to be of service. The question as to whether or not it is a fair proposition to take away from one class of legitimate business the opportunity to continue that business along commercial lines may some day be propounded, but today the investment bankers are content in the thought that they are rendering a patriotic service.

Their Only Reward

The only commercial reward in view, he said, is that which may come from the development of a large, new army of investors in this country who have never heretofore known what it means to own a coupon bond and who may in the future be developed into savers and bond buyers. Looking to the results of Government financing abroad, it would appear likely that as against our present three hundred thousand bond holders in this country there might, in a continuation of Government financing, be perhaps twelve million persons who will hold bonds.

"Business As Usual" Fallacy

In Mr. Mitchell's estimation, the slogan "Business as Usual," while attractive from a political angle, is essentially uneconomic and calculated to impede seriously the successful conduct of the war. The employment of labor and the purchase of material involving the use of raw material and labor truly needed in the business of war should stop, as far as may be possible. Financing of railroads, street car lines, and of new industries where new construction not essential to the war is involved, should be forced to give way to Government financing. The country must lend its dollars to the Government and the Government must decide how such dollars may be spent in the interests of war. This he declared is the attitude which the country should take in regard to the sacrifice of private policies to national needs. Haste in preparation and haste in placing men, munitions and money where they will sooner bring a successful outcome of the war is the thing, in Mr. Mitchell's opinion, which should be brought home of every one. The English slogan of "Speed Up" which is carried from the men at the front to the people at home and is written on the factory walls where all the workers can see, that slogan which the English developed only after periods of costly delay, should be our slogan today. We cannot too quickly appreciate its significance.

"TOP SPEED PRODUCTION"

"The war," according to Frank A. Vanderlip, President of the National City Bank, "will call for readjustments, but not for diminution in the volume of business. Times will be better than ever before, and instead of stagnancy, the people of the United States should be getting ready for top speed production that will utilize every energy."

Lessons of Other Wars

How the Civil and Napoleonic Conflicts Affected Business and Finance — Precedents for the Present War—What the Future Has in Store

By RICHARD HOADLEY TINGLEY

THE questions that are now of almost universal interest are those relating to the war; what will be the effect on business, on developments, and on investments; what will be the effect during the war, and the after effect as well? Nearly every business man is vitally interested in this subject and is studying it to the best of his ability in order to shape his course advantageously for himself and the nation.

The Effect of the 5 Billion Dollar Loan

There has been much speculation upon the probable effect the new government loan will have on business, on investments and on the stock market.

The theory has been advanced that it will have the effect of stifling industry and development. It has been put forward that these bonds, bearing interest at the rate of three and a half per cent, non-taxable and without a question of doubt as to their soundness and stability, will be extremely attractive to investors both of small and large means. It has been pointed out that, with the existing super war taxes on excess profits which are well understood and the certainty of further super taxes on business and on incomes, the capitalist, the merchant and manufacturer may consider his prospects of realizing substantial profit from his business are so remote, speculative and uncertain that he will curtail further business endeavor, abandon plans for branching out or extending his business and, realizing what he can, invest in a certain three and a half per cent return and become, instead of a factor in the economic, industrial and business field, a mere income taker, sitting tight and taking no chances with his money or his business in futures. There seems to be nothing in this contention and the possible danger of the adoption of such a course has been pretty well dissipated. The provisions of the Bond Bill have made it possible for the Treasury Department to receive redeposits of the amounts withdrawn from banks to pay for these bonds, no reserve being required to be kept against such deposits. Had this not been the case, had the usual 18 per cent reserve clause been enforced in this instance, it would probably result in locking up such a large sum of money, of withdrawing it from active use, that a fatal stringency in the money market might have been the result.

Analogies of Other Wars

It is usually safe to follow precedent and, in the long run, it is safe to say that history may be relied upon to repeat itself. Indeed, reasoning from analogy is about the only open course there is to follow and the safety of its application depends upon the accuracy with which analysis of surrounding conditions are brought to bear in connection with such reasoning. This, it may be said, is particularly applicable to the actions and developments of peoples during and after wars because the conditions governing these actions and developments are based on economic rules. They are based on the same economic certainty by which we know that all forces are constantly at work to bring about an

equilibrium, once that state has been disturbed.

Of wars there have been plenty from which parallel may be drawn and, in modern times, perhaps the most accurate parallels may be had by observing the results of the Napoleonic wars and of our own Civil War, although in a less emphasized degree the parallel of other wars might be cited. Starting from the highest level of stock and bond prices and of business prosperity that has almost invariably accompanied an actual state of war, there may be said to be several distinct movements or stages through which, following out the economic laws of adjustment, a country must pass. As prospects of peace become visible there has nearly always been a reaction and a substantial decline in values even in the best of securities and in the profits of business. This feature has already been demonstrated to us by the decline not to say slump in security prices that immediately followed (perhaps preceded by a few hours) the public information of a peace proposal in Europe.

EXHIBIT A

MOVEMENT OF BRITISH CONSOLS FOLLOWING THE NAPOLEONIC WARS

May, 1810	71
January, 1816	53⅞
December, 1817	84¼
April, 1818	82
September, 1820	65⅝
December, 1844	101⅞

Following quickly after peace there has always been a reconstruction period when the havoc produced by war must be repaired. This has usually created a boom, or at least a reasonable activity in industry the result of which has been felt, eventually, in the investment market, with a corresponding rise in prices. This condition, having existed for a period of years, possibly two, or three, or even more, during which time capital has probably been too rapidly absorbed in reconstruction and developments, interest rates have advanced, bringing about a lowering of security prices. This is often a critical period in the affairs of nations, and a generally depressed, not to say panicky condition is apt to develop until natural economic laws have again had time to work, as they surely will in the hands of a virile nation.

The Panic of 1873

It is this condition that overtook the United States in 1873, it having safely weathered the Civil War and the reconstruction and readjustment period, to be plunged into panic and disorder as result of its lack of foresight and of its failure to read aright the history of nations. It is fair to say, however in passing, that the United States is not likely to be caught in the same manner again. The fortunate creation of the Federal Reserve Board with its wise banking laws has given this country a currency so liquid that it will be difficult again to disturb its financial equilibrium by the same causes that shook the nation in 1873.

British Consols and the Napoleonic Wars

The British consol is the barometer by which all English investments are measured and the price of these securities is the best index to the financial status of that country. The movement of consols over the long period following the Napoleonic wars illustrates, in a striking manner, the working out of economic laws and furnishes a parallel from which deductions may be drawn.

EXHIBIT B

MOVEMENT OF TEN STANDARD RAILROAD BOND PRICES DURING AND AFTER THE CIVIL WAR

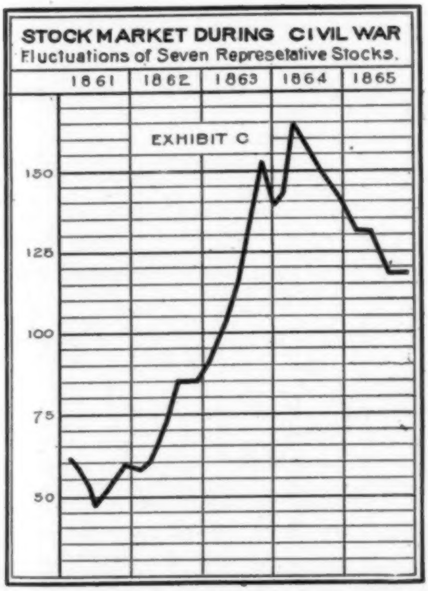
1861	90.28
1862	101.50
1863	114.17
1864	115.92
1865	99.40
1866	99.52
1867	97.02
1868	99.10
1869	97.33
1870	99.01
1871	101.40

From the above table (Exhibit A), it will be seen that consols dropped to the low figure of 57⅞ in the early part of 1816, or shortly after the termination of the twenty years of war that England

had waged against the Destroyer of the Peace of Europe. Immediately afterwards, during the reconstruction period of 1817 and 1818, consols rose to 84½, to be followed in 1820, five years after Napoleon had been finally disposed of, by a drop to 65⅝ due, largely, to over-expansion, over reconstruction and over-development. The long and steady rise during the next twenty-four years which brought consols up to 101⅞ was the result of the gradual restoration of an equilibrium in Europe as well as in England.

Bond Prices and the Civil War

A similar parallel may be found in the behavior of American railroad bonds



Stocks used in compiling the above Graphic are Erie, Pacific Mail, N. Y. Central, Hudson River, Reading, Illinois Central and Rock Island. These were the leading issues at that time.

during and after the Civil War. From all inspection of the preceding table, Exhibit B, it will be seen that, at the height of the war, in 1863 and 1864, an average price of 114.17 and 115.92 was attained, to be followed by a drop to 99.40 in 1865, soon after peace, with a gradual rise to 100.40 in 1871, during the reconstruction period.

The Stock Market and the Civil War

Seeking a further parallel, and turning to the stock market, much the same lesson is learned by observing the behavior of the leading stocks during the Civil War. Here we find emphasized the fact that an actual state of war produced as great activity and inflation in prices as happened during the Napoleonic wars; indeed it shows that a much wider range was reached than in these older wars, and wider, too, than was reached by the standard stocks (war stocks not included) during our violent market times of last year. During the progress of the Civil War, from the middle of 1861 to the early part of 1864, certain standard railroad stocks rose from an average of a little less than 50, to an average of 165, or 115 points. These figures are the average of seven representative railroad stocks and, taken singly, some of them show a much more violent fluctuation. Exhibit C will more clearly illustrate this movement, while Exhibit D will serve to illustrate the movement of 50 standard railroad stocks before and during the recent boom due to European war conditions.

What Has the Future in Store?

We leave the projection of this diagram in the hands of a people who are just entering upon a war the result of which no man can foresee. The investor or the reader may project the diagram into the future as he sees fit, but before doing so, before casting his lot as result of pure conjecture, it will be well for him to observe carefully the results of other wars, and to study the economic conditions as they existed during other wars and as they exist today in the United States and in Europe.

It has been claimed that history furnishes no parallel in any way comparable with the condition that now exists; that the depletion of the resources of the nations at war is so enormously greater than has been the case in previous wars, which condition is likely to extend to the United States if the conflict is suffi-

ciently prolonged, is producing a state of affairs that finds no parallel, and that therefore, it is unsafe to rely on past experiences. To this it may be said that, by comparison, the resources of the Allies are not being strained to a greater extent than were those of England during the twenty years of Napoleonic wars, and that the entrance of the United States, as a belligerent as well as an economic factor, so strengthens the resources of the Allies that no apprehension need be felt as to the final result; the economic effect on this country. The world's wealth has increased enormously since the battle of Waterloo. At the close of the Napoleonic wars the total wealth of the United Kingdom was less than twelve billion dollars and its debt approximately four and a third billion dollars. In other words, the wealth was about four and eight-tenth times the debt. At the present time Great Britain's wealth is upwards of eighty-five billion dollars as against a debt of seventeen billion dollars, or a wealth five times the debt, and this, too, after three years of enormous war expenditure.

Since the time of Waterloo, America has forged ahead and now presents itself as a factor to be reckoned with in the world's affairs. With its estimated wealth of 235 billion dollars, approximately 235 times its national debt (not including present war loans) it would appear that no great apprehension need be felt regarding the economic outcome.

To any student, to any careful observer of historical facts as well as of present conditions, will probably be revealed something like the following:

That America is, financially and industrially, in a perfectly robust condition, and in all probability abundantly able to withstand any shock she may receive upon her resources.

That, with a population of 100 million, a national wealth of 235 billion dollars and a national annual income of 40 billion dollars, she is in a position to hold her own, economically, and to assist her allies to a point of ultimate victory.

That no great deviation need be expected from the history of other wars; that, as soon as the country is lifted from the uncertainty that surrounds it now, as soon as the effects of the seven billion dollar loan, and of other loans that are likely to follow, are known, and the actual facts of the war taxation are made clear, we will in all probability again witness prosperous times and may see an investment market with some of the features in evidence that were displayed during the Civil War.

Afterwards, during the reconstruction of Europe in which the United States will be called upon to play such an important part, there should be a period of prosperity and investment activity that will place this country in the first rank among the nations of the earth.

Again, following history, when the slump does come, as it will eventually, much will depend on the manner in which we have conserved our resources and upon whether or not we have lived in accordance with established economic principles. If we have lived aright the slump will carry with it none of the disastrous effects that have attended other depressions.

The above Graphic is compiled from 50 leading railroad, industrial and public utility stocks.

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

"Better But Different Business." —F. A. Vanderlip

Better business but different, is forecast by Frank A. Vanderlip, president of the National City Bank. He does not see a diminution in the volume of business and predicts that times will be better than ever before. That, instead of stagnation, the people of the United States should be preparing themselves for top-speed production.

"The sooner the public gets over the idea that we want 'business as usual' or can have 'business as usual' during this great war the better for all. We want to stop all unnecessary work and unnecessary expenditures short off and concentrate all the immense volume of work which has to be done. Business men should get rid of any foolish fears that economy will bring on a general paralysis of industry or trade. There is no danger of not having work for everybody. The trouble is that there is more work in sight than can possibly be done, and the question is whether we shall cut off luxuries or necessities."

"Tax Profits." —Otto H. Kahn

"Any scheme of taxation which imposes an unnecessary burden upon commercial enterprise and thereby handicaps the nation in its business activities is unsound and bound to be gravely detrimental, both to the business men and still more to the wage-worker; in fact, to every element of the population," says Mr. Kahn in an article in the *N. Y. Times*.

"It is worth noting that England, the conduct of whose finances has always been a model for other nations to follow, has imposed an excess profit tax on business during the war merely to the extent that such profits are attributable to the war, i. e., to the extent that they exceed the profits of normal years.

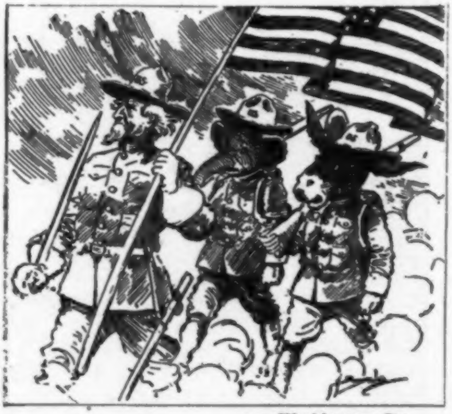
"In principle, direct taxation of business activities should be avoided as much as possible, apart from a war profit excess tax.

"The idle rich man, if he is so constituted that his conscience permits him to evade his share of monetary sacrifice, can put his money into tax-exempt securities. The man of means who toils in business or a profession must pay a heavy income tax, an excess profit tax, etc. To an extent this undesirable, differentiation is probably unavoidable, but it is neither fair nor in the interest of the community that it be accentuated.

"It seems to me so manifest as to hardly require argument that a retroactive income tax, such as has been suggested, is wrong both in morals and economics."

"Avoid Clogging Business."—Judge Gary

"If possible taxes ought to be so levied and distributed as to avoid clogging the channels of business prosperity," said Judge Elbert H. Gary in an address before the American Iron & Steel Institute.



—Washington *Star*.

NO DIFFERENCE NOW.

"Some of us are complaining or criticizing because of the enormous taxes that are likely to be imposed. We are apt to consider ourselves as opposed by the legislative or executive departments of the Government, as if they were partisans, seeking to punish or at least unfairly treat the private individual. We can rightfully claim that the burden of taxation be equitably distributed; that all the people, after exempting the necessities of life, shall be compelled to contribute; and that there shall be no waste or extravagance in making expenditures. Classes should be obliterated, also poli-

tics, localities and religious differences during war times at least. Opportunity should be open to all; governmental burdens should be borne by all."

Is Trend of Bond Values Lower?

Bond experts are far from unanimous in agreeing that bonds are now selling at bargain prices. The prevailing opinion appears to be that although bonds are now cheap they will be still cheaper if the war continues.

"The reasoning is very logical," says George Willett in *The Financier*. "Bonds which previously sold close to a 3½ or a 4 per cent basis are now selling between a 4 and a 4½ per cent basis, the reason being that since a Government issue, which has the highest degree of safety and which is free of income taxes, state taxes and local taxes, is available on a 3½ per cent basis, bonds which do not possess

—New York *Tribune*.

YOU CAN'T BUTCHER THE COW AND STILL HAVE HER GIVE MILK.

these qualities must suffer in market price as a result of the comparison in the competition for capital.

"If the war continues a year longer another offering of Liberty bonds will be made, but the rate will probably be 4 per cent, and if the war continues two years the United States Government may be issuing bonds on a 6 per cent basis. It is the very high grade bonds, which yield in the neighborhood of 4 per cent, that have suffered most and which will continue to suffer most from the competition of the Government bonds. One is more inclined to sell 4 per cent bonds in order to buy 3½ per cent Government bonds than he is to sell bonds yielding 6 per cent in order to do this, for whereas the additional safety and freedom from taxation may be worth ½ per cent it may not be worth 2½ per cent.

"Ordinarily when bonds decline the highest grade bonds suffer least and the poorer grade bonds most. The present decline in bond prices is, however, not due to any fear of the safety of bonds but to the competition of an attractive Government issue which competes mainly with the highest grade bonds."

"Record Prosperity." —John J. Mitchell

John J. Mitchell, president of the Illinois Trust Co., says to *Dow, Jones & Co.* that the Government financing will not cause any serious disturbance or retrogression of general business, but, on the contrary, when funds begin returning there will be unprecedented activity. He added:

"There is much confusion of thought and purpose, but all stand ready for every possible effort and sacrifice. I particularly dislike retroactive taxation, but if the Government needs the money, and will spend it judiciously, I will gladly pay my share. That would be cheaper than taking any chance of being licked.

"The Government issue must and will be a big success, and it will not, except temporarily, interrupt the regular investment market appreciably, nor will it very materially reduce savings or deposits. The money market is more normal than six months ago, when the banks could barely earn their dividends. We should have had 5% money long ago. I think, however, that there will not be any stringency or that interest rates will go much higher."

Topping on the Steel Situation

"Iron and Steel are on the same war footing with powder and food," says John A. Topping, of the Republic Iron & Steel Co., in a discussion in *World's Work*, on the iron and steel situation.

"The steel industry is perfectly capable of meeting every demand which the Government can make upon it, provided maximum production is maintained. For this accomplishment it will require the loyal co-operation of labor, for we shall need full working hours and freedom from labor disturbance, and also the fullest utilization in general industry of all male and female labor available.

"While government control of the railroads is advocated as being necessary to overcome the conflict of authority between the states and the national government, no such conditions apply to general industry. Therefore, there is no occasion for the Government to take over industry to meet war conditions; only waste and delay would result through such a course. European experience suggests, however, that there should be a very close cooperation and co-ordination with the Government on the part of both industry and labor."

Adequate Railroad Supervision

"The problem is to provide, first, a prompt and adequate service for war

needs and, second, peace needs, at a reasonable cost to the Government and to the civilian public, together with a fair profit to the railroads. The service should be made free from interruption by strikes or any deterring cause. How is it to be done?" Frederick Underwood, president of the Erie, makes suggestions briefly as follows in an article in the *Review of Reviews:*

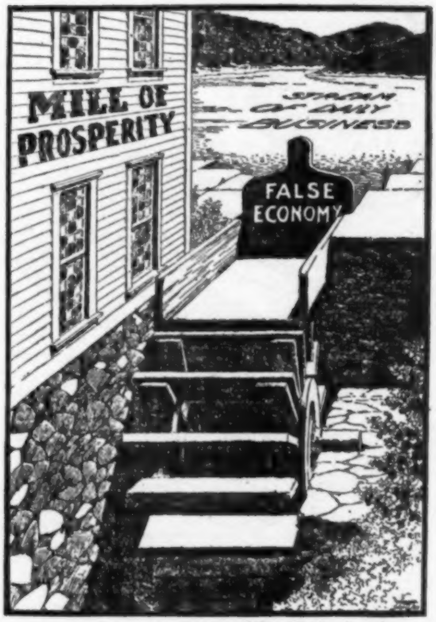
"First: For the time, all railroads should be removed from state supervision. Accelerated transportation is the desideratum; and during a war period it will be necessary for the Federal Government to have exclusive control of all trains, which control suspends during the war period all contradictory state laws governing their operation. Second: The supervision of the railroads should be in organized regional divisions, with a single central authority; when compelled to make extensions to carry the war traffic, they cannot make them if the financing for each extension is to be submitted to a number of state commissions. A federal commission can oversee all financial operations with an eye to the real end of the railroads—national service: Third: The operation of the railroads should be by a central board of their own staff, acting in close harmony with this federal body and the War Department. They should also co-operate with the Federal Trade Commission, thus being in a position to be aware of the military and civil needs of the country. By a proper arrangement of schedules and the subordination of all the elimination of many passenger trains, the present time of freight trains could be halved. With a corresponding increase of freight cars, a board with absolute power could conserve transportation to a degree which might double the present working capacity of the roads."

Taxes Lighter Than in Civil War

"The present generation of native Americans knows very little about taxation," says Charles F. Speare in the *Reviews of Reviews.* "We have been a fortunate people in this respect. The very large dose of taxes that is now being administered is hard to swallow. It makes us gag. But it will go down. The thought is worse than the fact."

"The American trader has been asked to pay a 16 per cent tax on his excess profits, while his British ally is paying 80 per cent without a whimper. It is estimated that the business and professional profits in the United States in 1916 were about $11,000,000,000, including income from investments. The income tax proposed, therefore, is less than 8 per cent on tatal income, while the full tax of $1,800,000,000 is less than 17 per cent of all incomes and profits. Far greater burdens were carried in the Civil War days. Present taxables placed on a Civil War basis would realize a much larger sum than is proposed.

"One field that may have to be covered eventually is that of taxes on Government bonds. There is a strong agitation for this among the brightest students of economy in the United States. Their claim is that the very wealthy can dispose of their present securities, which are taxable, and purchase tax-exempt Government issues and so realize an average income of 5½ to 6 per cent. The Government loses all of the tax which its bonds would produce and the small investor is the sufferer. There is in the country over $12,000,000,000 of property belonging to charitable and other institutions which pays no tax. In a long war some effort will have to be made, and undoubtedly will be found, to make this large proportion pay its right share of the cost of our military and naval establishments."



—New York *American.*

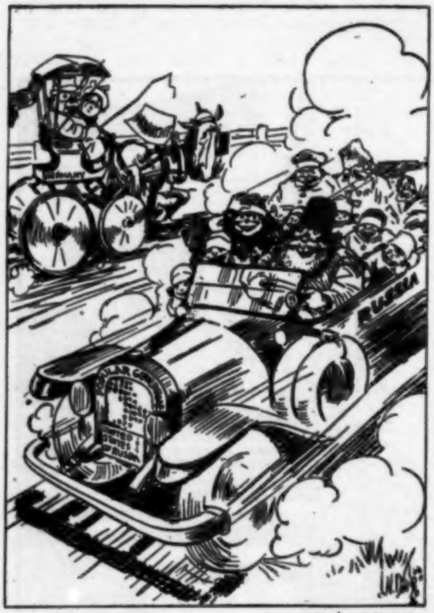
WITHOUT WATER THE WHEEL CANNOT RUN.

Russia's Financial Status

The American-Russian Chamber of Commerce, in an exhaustive report on the Russian financial situation, reaches the conclusion that "in spite of the tre-

mendous burden of war indebtedness, necessitating the payment of interest charges of over $1,000,000,000 per year, Russia, with the proper co-operation, will be able to solve its financial problems effectively." The report says:

The Russian national debt on Jan. 1, 1914, was $3,406,000,000; during the first two years of the war additional loans covering war expenses, were incurred to the extent of $8,611,-920,000, and additional loans for $8,360,100,000 will be required, if the war closes at the end of the year 1917. Assuming that the war will end in the fall of this year, the total outstanding Russian indebtedness will amount to $20,908,-000,000, which on a 5½ per cent. basis will require yearly interest payments of $1,069,-200,000.



—New York Tribune.

GERMANY: "I WONDER IF THOSE THINGS ARE HARD TO RUN?"

U. S. Exports Make Records

Exports from the United States, for the first time in history, exceeded 6 billions of dollars in the 12 months ending with April, 1917, against less than 4 billions in the corresponding period of 1916 and less than 2½ billions in preceding years.

During the month of April, 1917, exports of merchandise were valued at 530 million dollars, against 554 millions in March and 613 millions in January of this year.

For the ten months ending with April, 1917, the exports amounted to $5,167,000,000, against $3,394,000,000 one year, and $2,225,-000,000 two years ago.

For the ten months ending with April, 1917, the imports amounted to 2,072 millions, against 1,723 millions in 1916 and 1,374 millions in 1915.

The excess of exports over imports amounted to $3,560,000,000 in the 12 months ending with April, 1917, against $1,914,000,-000 in 1916 and $848,000,000 in 1915.

For the ten months ending with April, 1917, the excess of exports amounted to $3,095,000,000, an increase of $1,424,000,000.

The imports of gold amounted to $32,000,-000 in April, 1917, against exports of gold amounting to $17,000,000. The imports of gold during the ten months ending with April, 1917, amounted to $833,000,000, which is $490,000,000 more than a year ago.

The exports of gold during this period amounted to $167,000,000, an increase of $97,000,000. The excess of imports of gold over exports during the ten months' period ending with April, 1917, amounted to $666,-000,000 in 1917, against $274,000,000 in 1916, an increase of $392,000,000.

Market Sentiment Generally Bullish

National City Bank of New York.—The course of business has confirmed the opinion that war meant an increased stimulus to the industries, modified only by the necessity that under the pressure of more business than they can handle there must be contraction in some quarters in order that there may be expansion in others. Luxury trades are suffering, as inevitably they must, but that only means a shift of employment.

The great industries of the country, with steel leading, never before were under such pressure. Apparently the government requirements are proving to be more of a factor than was anticipated; at any rate private consumers are competing so vigorously with each other for the remaining capacity that prices are still on a rising scale. The announcement that the British government has discontinued work upon the construction of a great new munitions factory for the reason that they would be able to buy more finished munitions in the United States shows the effect of granting credits and indicates that there is no end of this class of business except in the limit of our capacity.

Hayden, Stone & Co.—Now, because the market has had quite a perpendicular advance in two weeks' time, there is talk of a decided reaction. It may be pertinent to point out that values have, however, fully kept pace with prices. Take Steel common as the most conspicuous and typical

example. It was just six months ago that this stock sold at the price that it has again reached this week. Meantime, the company must have earned at least $30 per share on its common stock, of which it has distributed but $7.25 in dividends. There is $23 per share more in net value behind Steel common than there was when it previously sold at its high figure. This is true of the list in general. Earnings minus dividends are equal to more than the gain in the price of stocks.

It should, of course, be recognized that a part of the rise has already taken place. Stocks are not as cheap as they were two weeks ago. At the same time, we do not believe that the inflation resulting from huge war purchases has, by any means, been fully measured by the rise that has already taken place. It has been our observation that thus far the public has held aloof, distrustful of the motive behind this advance. When it comes to realize that, though perhaps instigated with a definite purpose, yet the advance is well justified by conditions, it will probably take a far more active part. Until that time, though naturally modifying our opinion as stocks advance, we see no reason to abandon the position that we assumed some time ago.

J. S. Bache & Co.—The market is led by Steel, and the strength of Steel common and of the other steel stocks is justified by the volume of business and the great profits of these companies, in which there are no signs of retrogression for a long period. Steel common, up to its ex-dividend date, was upheld by the large dividend to go to holders previous to June 1, and its action in partial recovery of the dividend indicates faith on the bull side.

All business is cheered by the cheerfulness of the market and by the favorable reports from the loan subscription.

These are the sombre happenings that make for serious thought. But equally important with the sending of men is effort of business to keep activity and profits at the highest pitch, as funds in vast amounts will thus be more liberally furnished to carry on the war to the only possible ending—that of peace with victory. Current orders are being swelled by Government expenditures, as large commitments at satisfactory prices are being placed daily without publicity.

The industrial hive is teeming with activity and with every evidence of continuation and increase. Under such pressure of profits constantly piling up, stocks refuse to remain inactive.

Sheldon, Morgan & Co.—Three factors govern the immediate market situation. Public participation is increasing, the last long drop in prices has been about half regained and the present business volume breaks all records, while the outlook for the future warrants abnormal activity.

We judge that the Russian situation has been fully discounted as far as the long swings of the market are concerned. The success of the Liberty Loan will vitally benefit the already strong position of our banks because the floating of this bond issue implies payment of $300,000,000 of the Allies' bonds and notes now held by our national banks. We judge that expansion and inflation are now unavoidable.

Keane, Zayas & Potts.—The nation must save to win. Saving implies economy, the elimination of waste. Economy means frugality, careful use. The extraordinary demand for money for war purposes enforces economy in the use of money in other directions. The essential things must be provided, the unessentials eliminated or curtailed. Investment in productive lines is essential if production is to be progressive and continuous, therefore funds must be made available for investment. Speculation is non-creative and therefore non-essential, and national needs will compel its curtailment during the war through the withdrawal from its fields for use in other directions of the funds necessary to finance it on a scale of any magnitude. The sequence should be decreasing speculation and increasing investment, and we believe that a change in this direction is impending and that it will be for the better.

American Nat. Bank of San Francisco.—Business activity on a large scale is reflected in the records of the past thirty days. Bank clearings, exports and imports, railroad earnings, and other data by which the business barometer is read show that the country's participation in the war has caused no marked derangement of trade or commerce as a whole, although a general feeling of conservatism is apparent in most lines not directly affected by government buying.

While speculation in food products is not as rampant as it was a few weeks ago, there is still enough unhealthy business of the kind going on in grain, canned goods and other staples which deteriorate the least in rehandling or storage, to warrant the serious attention of constituted authority.

The Wollman Review.—A definite upward turn has come in the securities market in recent days—a turn which is not the result of artificial influences but of the strength created by a new and reasonable confidence in the future of business in this country. Commerce and finance are bound to reflect political conditions, especially in such times as the present.

While the market generally has been guided by the strikingly rapid upward move in steel stocks, copper stocks and other industrials have, up to now, lagged behind and should soon also commence to reflect the great activity which is taking place in the respective industries which they represent.

The Money Market

Prospect for Steady Rates—Movements of Gold—Connection with Security Prices

THE money market continues generally firm, in spite of the big reserves held by the banks both in New York, and throughout the rest of the country. The rate for the best commercial paper at New York is 5 per cent, which is an advance of 1½ per cent since January and of 1¾ per cent from the level of a year ago.

Our entrance into the war is of course the principal reason for the higher rates. It is generally realized that, in spite of the present strong position of the banks, inflation of loans must come, and that the demands of our Government for capital, in addition to our large loans to our allies, must for the immediate future keep the average of interest rates on permanent, long time investments at a higher level than heretofore.

On the other hand, money is not likely to have any very sharp advance at present. The Federal Board will maintain a close control of the situation, and the movements of gold will be adjusted by co-operation among all the allied nations. This was recently seen in the imports of gold from Canada, which were plainly intended to help in floating the Liberty Loan.

The moderate outflow of gold to Japan has been unduly emphasized by the Japophobe press, if we may be permitted to coin such a word. The movement has not been unduly heavy and results from natural causes. Japan has been selling war supplies to Russia in tremendous quantities. Through the recent loan of $100,000,000 by this country to Russia her obligations here have been considerably reduced while her debts to Japan remain heavy. The natural result has been a shift in exchange rates between America and Japan which has caused some export movement of gold. The U. S. Government is understood to favor the movement as being an aid to the common cause of the Allied Powers.

We have a powerful resource against high money rates in the rediscounting privilege, which so far has been little used because money rates have not been high enough to bring it into play. Rediscounts at the New York Federal Bank have been rising, but are still unimportant.

The rate of 3½ per cent made by the Federal Reserve Banks on rediscounts which are based on the Liberty bonds will unquestionably have the effect of increasing the amount of rediscounting done by member banks. By this means currency can be issued, indirectly, against the Liberty bonds. In that way the inflation of bank loans can be balanced by an increase in outstanding currency and the natural result will be to hold money rates in check.

All this will mean a further increase in our money circulation, and that has an important bearing on the general level of all prices. That is, if our currency were prevented from increasing the result would be higher money rates and higher money rates would tend to check the rise in commodity prices or even to bring about a decline. But with means at hand for the steady increase of the amount of currency in use, money rates can be kept down and therefore general prices will be free to rise further. This process has been going on abroad ever since the war began. It is an inevitable accompaniment of war and we cannot hope to avoid it.

It is in this indirect way that the money rate will affect the stock market. High prices for commodities permit most industrial companies to make large profits, and since the capitalization of these corporations remains stationary, or nearly so, the per cent of profits to capital is high.

On the other hand, the railroads and public utility companies have such difficulty in raising their rates to compensate for higher costs that their profits do not rise like those of the industrials. This has been the tendency for many months past and there is so far no indication of a change in this particular. So long as money rates are prevented from rising further, the same general tendency must apparently continue to operate.

Organizing the Railroad Investor

The Baltimore Convention of Railroad Security Holders and What It Expects to Accomplish—How Railroad Issues Are Held—Probability of a Permanent Organization

By WALTER McNAUGHTON

A GREATLY felt want seems at last to be in the way of fulfilment. It is concerned with the organizing of railroad investors throughout the country. The object of that organization is to give to these investors a united voice and make possible concerted action on their part in matters affecting the credit and management of the properties they are the chief owners of. The need for such an organization has been increasingly felt during the last decade and it is broadly patent to all today. Several sporadic attempts to effect such an organization have been made in the past few years, but each died without fruition. A more auspicious movement was started by a New York representative of a fairly large number of railroad investors last fall, but efforts to effect a nationwide alignment of investors latterly seemed to have come along haltingly.

The Baltimore Convention

It remained for S. Davies Warfield, president of the Continental Trust Co., of Baltimore, and himself a large owner of railroad securities, to conceive of an organization along practical lines and to call it into being without pomp and circumstance. He called a convention of railroad investors and officials of insurance companies and savings banks who represent large numbers of investors, in the same matter of fact way that he would call a meeting of the board of directors of the Seaboard Air Line Railway, of which he is the chairman.

That convention was held at Baltimore, on May 23. It was attended by over 300 men in person, including the writer, while a thousand or more sent letters and telegrams expressing approval of the meeting and pledging full support. Since that date letters by the score have come in with practically each mail attesting to the popularity of Mr. Warfield's action, in behalf of investors. The organization which grew out of the convention is called the National Association of Owners of Railroad Securities.

Much in Earnest

The men who came to that convention were there earnestly to discuss what should and could be done in behalf of railroad credit. It was apparent that that was their sole aim in coming. The trip to Baltimore was, for them, not a "junket" and the president of a little business bank hidden away in the interior of a southern State was just as serious minded over the event as the head of a big bank with thousands of depositors. It was revealed in the personal conversations had with these men. There was no delay in getting started. No frills or frumperies. The chairman of the convention did not even stop to make the usual ceremonial inductions. He started right in with his sleeves, so to speak, rolled up, to present the whys and wherefores of the gathering and to read some figures of investment holdings in the railroads that were truly astounding.

Out of the 17 billions of dollars of securities issued by the railroads of this country, over 3 billions were represented by the gathering at Baltimore. This sum in securities has been greatly increased since then, so that when the organization representing these investors lays its views with regard to the protection of railroad credit before the authorities in Washington, it will be speaking for a representative part of the largest aggregation of capital in the world.

How Railroad Securities Are Held

These 17 billions of railroad securities are owned approximately as follows:

HOW RAILROAD SECURITIES ARE HELD

By individuals outright, numbering about 1,000,000, owning in excess of	$10,000,000,000
By life insurance companies with 46,000,000 policies in force	1,550,000,000
By savings banks, with 10,000,000 depositors	847,000,000
By fire, marine, casualty and surety companies	649,000,000
By benevolent societies, colleges, charitable institutions and schools	350,000,000
By trust companies, state and national banks	865,000,000
In channels not enumerated, mostly abroad	2,739,000,000

According to figures presented to the convention, the life insurance companies have an army of policy holders owning insurance policies of an average amount of $530 each. The proportion of the money belonging to the policy holders and invested by their respective insurance companies in securities of the railroads, represents approximately 25% of all the investments held by the life insurance companies. It is patent therefore that "every small policy holder of $1,000 or less and every other policy holder of the 46,000,000 of life insurance policies is an indirect owner or investor in the securities of railroads to the extent of 25% of his investment in his life insurance company represented by his policy."

On the basis of the above tabulation it is estimated that in the aggregate over 50,000,000 people, approximately half of the country's population, are either direct or indirect owners of, or investors in, the securities of the railroads of the United States. And they are therefore more or less intimately concerned in whatever affects railroad credit with its corresponding effect on the securities of the railroads they own or in which they have the indirect interest mentioned.

Some of the illuminating remarks made by Mr. Warfield in his opening address to the convention at Baltimore, were as follows:

Rising Costs Only Partly Offset

"The railroads are required to pay out by reason of increased prices this year over last year for equipment, supplies, materials and labor over $570,000,000. The items composing this vast sum are as follows: Increased price for fuel, $100,000,000; for locomotives and cars, $195,000,000; materials and supplies, $162,000,000; wages of trainmen, $60,000,000; increased wages of other employees, $57,000,000.

"To help to meet this the railroads have asked for an increase in their rates of 15 per cent. This increase will not begin to make up this huge sum; nevertheless, there seems to be considerable doubt whether it will be allowed, opposition having developed in certain directions. The railroads very properly and patriotically have appointed a committee of five well known railroad presidents to direct the operation of all the railroads entirely in the interests of the government, which at this time is in the interest of the war.

"We are confronted with an extraordinary condition. The railroads are now operated under a plan devised by themselves in the interest of the government in this emergency, without respect to either their individual operators or owners. The government of England at the outbreak of the European war guaranteed to its railroads during the period of the war earnings equal to those of the year previous to the outbreak of the war.

"The presidents of the railroads have ably presented to the Interstate Commerce Commission the situation from an operating standpoint. It remains for this conference to determine whether this body should now present the credit side.

Security Owners to Be Heard

"Through years of abuse of the railroads a "state of mind" has been created which seems to forbid the consideration, in a spirit of fairness, of questions of vital consequence to the railroads and those who in good faith have invested their money in their securities. The present day owners of these securities, representing millions of our citizens, should be considered in the settlement of these questions and not made responsible for the acts of a few men who may, in the past, have unduly

profited at the expense of the properties they represented. The time has passed for this. Laws have been or can be enacted to prevent recurrences. The real owners of the railroad properties, the owners of the securities, should now be heard.

"We should call upon the press of the country, the millions of men and women who have their money in railroad securities represented either by the bonds or stocks of the railroads, by the life insurance policies they own and through which they are interested in the securities, in savings banks and the others interested, to do their part in bringing to the attention of those in authority the necessity of maintaining the credit of our railroads, the greatest of our enterprises and which have done so much more than any other single agency towards the development and the prosperity of our country—the richest nation in the world."

A Permanent Organization

At this writing there is every prospect that the Warfield movement to make a homogeneous whole of the large number of railway investors, will be permanently successful. Responses have come from all sections and continue to come. The organization that has been formed is not one of a few hundred investors and bankers assuming to represent all investors in railway securities and undertaking to voice the sentiments of them all, but an association of all investors.

It should be apparent to all, how important it is that steps be taken to stabilize the $17,000,000,000 of railroad securities, many of them made by law legal investments in the various states, in which many millions of money have been placed by institutions, estates and by hundreds of thousands of men and women who depend for their maintenance upon the income returned. The value of this huge amount of securities is based on the credit the railroads enjoy. In turn, on the value of railroad securities the value of many other securities are dependent, for these railroads are the largest single class of consumers of materials and supplies in the world. Labor's united voice has been heard time and again in its own behalf in connection with issues affecting the railroads, but until now, the voice of the investor has been conspicuous chiefly by its absence or, at least, by its weak representations at the table of discussion

International Film Service.

Wall Street Delegates in Liberty Loan Parade

Shipbuilding Stocks

Wider Investment Interest in These Securities—N. Y. Shipbuilding—Cramp Shipyards—Newport News—Outlook

BY LAWRENCE C. SMITH

HE is a pessimist indeed, who cannot perceive in the present revival of American shipbuilding hopeful signs of a permanent restoration of this country's sea prowess of a century ago. It is true that there are still some things lacking in the way of existing facilities to enable the country to take the fullest advantage of the unprecedented opportunity offered to reconstitute its withered sea arm. But the fundamental things—adequate supplies of raw materials, adequate space, unsurpassed constructive ability and native capital and ingenuity—it is in the fullest possession of and, unless the employment of these is hindered by shortsighted or arbitrary legislation or selfish pleadings of political exigency, they will be made to count to the fullest extent.

Shipbuilding securities are, as yet, a rather poorly understood form of investment in this country. Or, to be a little more precise, among the people which make up the large communities that are to be found up and down or Atlantic and Pacific seaboards. In the middle West section of the country, where shipbuilding has been a successful industry for many years, shipbuilding securities are pretty well-known and regarded as good mediums of investment. Some issues have been popular, even. The explanation for this rather curious situation is that on the coasts, particularly the Atlantic, shipbuilding has not been successful. Such comparatively few of the early issues as are outstanding are not well-known. They have been looked at askance from the first public offering. Inability to meet the competition of our shipbuilding brothers on the other side of the Atlantic on account of higher costs, more exacting labor demands and building prescriptions that in some respects do not prescribe wisely, is at the bottom of this. Our Great Lakes' shipbuilders

TABLE I

IMPORTANT SEABOARD YARDS WHERE SHIP CONSTRUCTION IS CONCENTRATED.

Yard		Launched in 1917* Tons	Launched in 1918* Tons
Baltimore Dry Dock & S. B. Co.	Baltimore, Md.	21,000	16,600
Bethlehem Steel Co.	Sparrows Pt., Md.	36,450	55,547
Chester Shipbuilding Co.	Chester, Pa.	58,700	9,000
Fore River Shipbuilding Corp.	Quincy, Mass.	74,444	13,356
Harlan & Hollingsworth Corp.	Wilmington, Del.	40,679	17,675
Moore & Scott Iron Works	Oakland, Cal.	15,006	20,600
Newport News S. B. & Dry Dock Co.	Newport News, Va.	52,325	45,248
New York Shipbuilding Co.	Camden, N. J.	79,835	53,969
Pennsylvania Shipbuilding Co.	Gloucester, N. J.	27,500	37,500
Pusey & Jones Co.	Wilmington, Del.	2,250	9,600
Seattle Construction & Dry Dock Co.	Seattle, Wash.	51,000	30,000
Skinner & Eddy Corporation	Seattle, Wash.	35,720	28,650
Standard Shipbuilding Corp.	New York, N. Y.	38,400	.....
Staten Island Shipbuilding Co.	Port Richmond, N. Y.	4,641	4,200
Sun Shipbuilding Co.	Chester, Pa.	.....	14,200
Texas Steamship Co.	Bath, Me.	12,600	13,400
Union Iron Works Co.	San Francisco, Cal.	130,228	44,800
Northwest Steel Co.	Portland, Ore.	22,800	22,800
Wm. Cramp & Sons S. & E. Bldg. Co.	Philadelphia, Pa.	61,500	.....

*Figures have been considerably augmented in many instances.

long ago succeeded in driving away foreign competition.

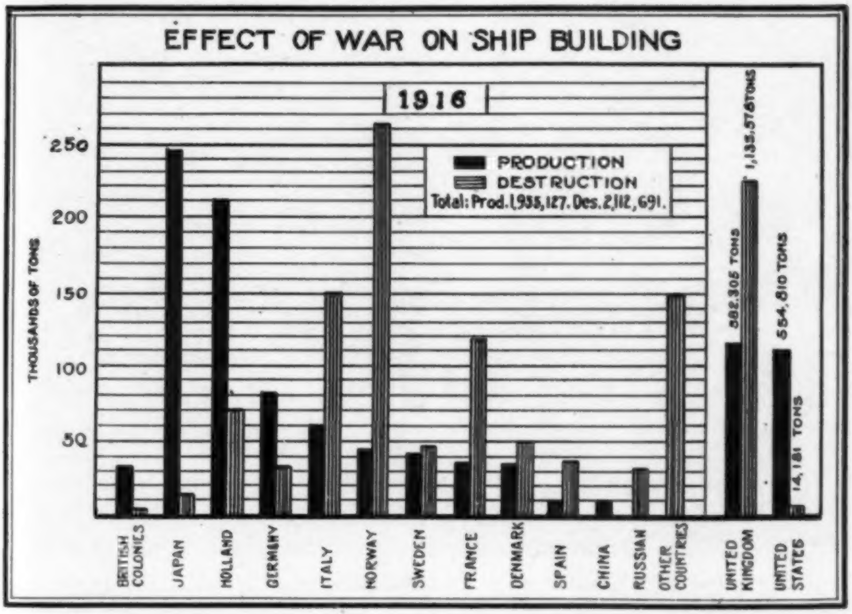
Investors Awakening to Possibilities

Latterly, however, there has been a fairly well-defined disposition on the part of investors to inquire into the nature of shipping securities. The almost daily accounts in the press of unusual profits being made from the sales of steamers, some of thirty years' service, others, sold before the hull has made its initial entry into the waters, and still others that existed as yet on the blue prints of the draughting room, have fired the imaginations of speculators and investors alike and brought about a genuinely inquisitive state of mind.

At the beginning of the current year, there were under construction in the shipyards of the eastern and western seaboards and on the Great Lakes, 2,031,800 gross tons of shipping, a figure which compares with 520,847 gross tons actually constructed in 1916 and 215,602 gross tons completed in 1915. Since the first of the year, it is estimated that between 450,000 and 550,000 tons more of shipping have been added to construction contracts, most of it for 1918 and subsequent delivery, excepting government tonnage which will take precedence over construction for private interests as it comes under the head of war emergency.

New Tonnage Commitments $310,000,000

Of the tonnage under way at the beginning of the current year, about 60% is slated for delivery before the close of the year. The balance falls due in the first half of 1918. Except that portion of it which is being built on government requisition, all of the tonnage added since January 1, with the exception of three small vessels, will not reach the water until towards the end of the first half of 1918 or later. It is not known what proportion of the tonnage registered with various building yards since January 1, is of government origin. In a tabulation herewith, is shown a number of the more important seaboard shipbuilding yards and the tonnage on their order books (as of Jan. 1, 1917) for delivery this year and next. In many instances, these figures have been con-



siderably augmented, in anticipation of and since this country's entrance into the war. The cost of all tonnage now under way is said to represent an investment value of over $310,000,000.

While there are a dozen or so of widely known shipbuilding yards in this country—widely known because of the high quality of steamship tonnage they have launched from their ways and the historic careers of some of these vessels, the securities of the companies owning these yards have been usually closely held and the public was little informed as to the identity of the respective managements or the scope of building operations. Such companies as the Newport News Shipbuilding & Dry Dock Co., William Cramp & Sons Ship & Engine Building Co., Fore River Shipbuilding Corporation and the New York Shipbuilding Co. of Camden, come under this head. Cramp, latterly has been making annual reports, but its securities are closely held still. The New York Shipbuilding Co. since its corporate reformation following the advent of the present controlling interests, has a large public following, since its stock which was brought out last fall, was widely subscribed for.

New York Shipbuilding Corporation

This corporation, which is controlled by the International Mercantile Marine Co., the American International Corporation, Pacific Mail Steamship Co. and W. R. Grace & Co. is now known as the New York Shipbuilding Corporation. This corporation is engaged in the manufacture of both merchant and warships. Its various units, which are located at Camden, N. J., constitute one of the largest and best equipped ship construction plants to be found anywhere in the country. It is also one of the most economically operated plants to be found, its costs in general being substantially lower than that of any other yard on the Atlantic seaboard.

Shortly after the new organization was got under way, cash to the extent of $3,000,000 was invested in the properties, of which some $1,800,000 was

One of the Wharves of the N. Y. Shipbuilding Corp., at Camden, N. J.

made available for new construction needed to take care of the government work and the increased demand for vessels in the merchant service. This large plant, by reason of its existing facilities and those that are being added to it, is perhaps in a better position than any other shipbuilding company to take advantage of the wide demand for tonnage. As matters stand now, the corporation is practically assured of all the business it can handle during the next five or six years.

While no line is to be had at this time on the earning capacity of the new corporation, it should be very considerably in excess of what the old company showed. That company during the year ended August 31, last, earned net income available for dividends of $1,466,000. The new corporation is capitalized as follows: Capital stock, 200,000 shares of no par value and $7,500,000 of first mortgage 5% sinking fund bonds. It is expected that these securities will soon be listed at the New York Stock Exchange.

New York Shipbuilding Corporation has solved the problem of waste in everything incident to prosecuting operations. The basic idea of the whole plant layout, followed to an extent by some other successful companies, is that all materials must follow an uninterrupted course from the raw state, through each necessary process in logical sequence, to its final location on the ship. During the years of its existence, New York Shipbuilding has turned out some 175 vessels, and not a few of these have had historic careers. The Mongolia and the Manchuria, for instance, which are now owned by the American Line, were for years the crack steamers of the Pacific and they will figure largely in the written page on Pacific Ocean shipping and trade development. For the United States Navy, this company has turned out such well-known battleships as the Utah, Oklahoma and Arkansas, not to mention fifteen or sixteen other large ships of the line which have scored 100% careers in the navy. Nearer the practical understanding and the appreciation of the layman, are such steamers as the "Washington Irving" and "Robert Fulton" in the Hudson River tourist service.

At the beginning of the present year the corporation had on its ways and in its berths, twenty-one vessels with an aggregate tonnage of about 121,000 and of these fifteen are scheduled for delivery this year. What additional tonnage has been laid down since January is not known owing to the reticence observed by the authorities because of the international situation.

Cramp Shipbuilding

The Cramp Shipyard, which was founded some 86 years ago, may be regarded as the pioneer among shipbuilding companies in this country. It has held a high place among these since its foundation. The company owns a large plant in Philadelphia and controls the I. P. Morris Co. (Port Richmond Iron Works) the Kensington Ship Yard Co. and the Federal Steel Castings Co. of Chester, Pa. The company possesses adequate facilities for the construction of the largest type of ocean-going steamers. The company has turned out many large steamers for the merchant service, among the better known vessels being the St. Paul and St. Louis of the American Line, many large battleships and cruisers and many varieties of smaller commercial and naval craft.

The profits made by this company since the war, have been utilized mainly by the management, in the direction of improving and bettering the properties, and in putting operations on a lower cost basis. At the present time, the shops of the company are working day and night shifts and deliveries are contracted up to February, 1919. Eighteen

TABLE II

TONS OF SHIPPING UNDER WAY JAN. 1, 1917

Type of Steamer	Atlantic Seaboard	Pacific Seaboard	Great Lakes
Tank	514,000	188,000	3,400
Cargo	637,000	385,000	245,000
Pass. & Cargo	46,800	12,600	......
Totals	1,197,800	585,600	248,400

big ships are under way at these yards at the present time, these including freighters, tankers, freight and passenger combined, scout cruisers and torpedo boats.

Cramp Shipbuilding finished its latest fiscal year on April 30, 1917, and the balance earned for its $6,098,000 of stock is reported to have been somewhere between $28 and $30 a share compared with $17.83 in 1916. The above amount of stock and a funded debt of $5,250,444 constitutes the total capitalization of the company. The stock of the company is strongly held, as was vouchsafed some time ago when efforts were made by New York and Philadelphia bankers to obtain control of the property.

Newport News Shipbuilding

As in the case of Cramps, the securities of the Newport News Shipbuilding & Drydock Co. are closely held. The latter owns and operates one of the large and important plants of the country, at which some 6,000 men are employed. At the present time the company is reported to have twelve to fourteen vessels on the ways representing an aggregate tonnage of between 90,000 and 110,000 tons. Eleven of these are to be launched during the current year and the remainder in 1918.

The Newport News plant has done a great deal of work for the United States Government and two of its latest products are the dreadnaughts Pennsylvania and Mississippi. The plants are located at the mouth of the James River near Hampton Roads, Va., one of the naval bases of the United States. The company is capitalized at $8,000,000 divided into $6,000,000 of 5% cumulative preferred stock and $2,000,000 of common. In addition, the company has a funded debt of about $7,600,000. The dominant interest in the company is H. E. Huntington.

A Brief Summary in Prospect

Whether the securities of such companies as own and operate these yards will continue to be closely held is something that cannot be foretold. The whole fundamental structure of our shipbuilding industry may be remade in the next five or ten years under the compulsion of necessary expansion in both facilities and capital. It is conceivable that many of the present existing close corporations may reorganize and, like the New York Shipbuilding Corporation, admit the public as partners in the enterprise on a steadily expanding scale.

Viewed by and large, the shipbuilding companies will be one of the most active of our industrial groups during the next five years, at least. The status of the shipbuilding industry in this country at the end of that time will furnish a good index of how successfully the shipbuilding industry is being revived and what degree of permanent and progressive expansion may be looked for.

There are many good auguries that it will. The necessity of making up the huge destruction of shipping during the past two and a half years is one. Another is the necessity of building a stated amount of new tonnage each year to keep pace with the growth of world trade and steamship obsolescence. And still another is the big dependence of European nations upon our construction facilities, raw materials and to an extent labor, for several years after the war. France, Norway and Great Britain, the latter for the first time in steamship history, have already come to American shipbuilders with large tonnage requisitions, and the prospects are that they will continue to come here while their sadly stunted facilities are being restored. The process of restoration of facilities in France and Great Britain, under the huge war debt, will be a slow one.

These are some of the reasons why our shipyards will be kept busy on an increasing scale as facilities are expanded. And who shall say that the impetus imparted in that period of time will not, together with our own steadily growing importance as a factor in world trade, place that industry upon such a nation-wide, fundamentally strong and potential a basis as to make the resumption of our lost leadership among maritime nations a matter of time only?

Filling the War Chest

Financing a War Among Friendly Nations—Ten Different Methods—Loans in a Foreign Country

By DR. PAUL PENSAC GOURVITCH, D. L. e S., Sorbonne, Paris
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Part II—War Financing From Abroad

THE first three expedients of a nation financing her war expenses from abroad are exportation of goods, shipments of gold, and remittances in the form of foreign securities. From the banker's point of view this third form of remittance is particularly attractive because, as long as a market for them exists, these securities have a gold value, used for creating funds abroad, if gold cannot be taken away from the government bank for sending abroad. The banker thinks only of a profit. That is his only interpretation of economic laws, and because it is cheaper and safer for him to send securities he does it.

Just as a government could sell to the nation from which she imports goods, securities of this nation, it could sell any other foreign securities which have a market there. In the same way a nation in war could liquidate bills on her, held by a foreign nation, with bills the warring nation holds on a third nation, such deals being called triangular transactions. In the plan of banking this transaction again represents a cheaper remittance. Since the third nation on which the warring government holds bills is its debtor, the nation's balance with this third nation will be favorable and thus constitute a cheaper indirect remittance towards a creditor nation. The making of remittances through a debtor nation is the fourth expedient to which the government seeking funds recurs.

Recalling the Banker's Balance

The fifth expedient is to recall the banker's balance held in the creditor country by the debtor nation. Again, this economic necessity of recalling the balances, as far as bankers are concerned, is employed, because of more advantageous use for the money in the country of the banker, since naturally money rates will be very high there.

Higher money rates such as are established by the Bank of England to regulate England's exchange, represent an economic necessity which is forecast by experienced financiers before the necessity actually comes. Therefore, money rates are a new lever in the machinery of war finance, since higher rates in England, for instance, attract money from foreign bankers, who, when buying bills on London or Paris, will keep them until maturity and eventually invest the proceeds at maturity in new bills for the sake of larger profits. Higher rates will also stimulate the use of finance bills by which, for instance, American bankers will lend their credits in London or Paris. To realize the importance of this feature it is sufficient to state that some American financial institutions keep abroad balances amounting to hundred millions. It is evident that such arrangements between banks represent a short time loan to foreign bankers on a call basis. They are similar to investments in short time treasury bills.

It must be borne in mind that these balances originate in the movements of foreign trade. When J. P. Morgan & Co. buys cables and drafts, it means that they pay the American exporter of goods with dollars, increasing so much Morgan's balance in francs abroad which Morgan & Co. will lend out there. J. P. Morgan & Co., however, cannot afford buying an unlimited amount of foreign money. By buying francs, for instance, they strengthen French foreign exchange; but J. P. Morgan & Co. does it because, when the amount of francs bought by them reach the agreed maximum of the "revolving" credit, the French government is requested to issue a loan, with the proceeds of which the

balances in francs of J. P. Morgan & Co. and other bankers are paid off.

Loans in a Foreign Country

The eighth expedient of financing is the issue of loans in a foreign country. When a foreign country is borrowing in the United States and the maximum amount of credit granted to her by American financial institutions has been reached, it is not absolutely necessary for the foreign government to make a loan at once. It may and it does ship gold, not so much for the purpose of paying off its debt as for the sake of weakening the New York money market and thus preparing the conditions for a loan.

When a loan is made a syndicate of underwriters, otherwise called subscribers, is formed and the same machinery is used as in the case of an American railroad company issuing securities. Every underwriter guarantees a certain amount of this fund and the banking firm which acts as the manager of the syndicate can, after the loan is guaranteed by the underwriters, offer the securities to the public. Some securities will be partly taken up by bankers for investment sake. It is because bankers know that such loans will be made that they invest in English or French bills. The times for making such loans are opportunely chosen. When, for instance, American bankers withdraw their balances from abroad and England is not able to keep these funds by high rates offered to bankers, she gets the money back through a loan, because. when the money goes to New York, money rates become low and thus good conditions for a loan will exist.

All loans made to a foreign government are based on the ability and willingness of future generations to pay off the contracted debt. As the accumulated wealth, as well as the industrial possibilities of such nations as England and France are very great, there is practically no limit to their ability to pay off their debts. On the other hand, their credit and good will is under no suspicion, and their securities represent a safe investment. Other factors, however, come into play which influence the success of loans, such as doubt as to who will be victorious, political sympathies, and to some extent the apprehension of repudiation which causes the credit of the allies to be sold at a cheaper rate than the credit of some American industrial concerns or railroad companies.

Use of Commercial Credits

The ninth way for financing war is the use of commercial credits, otherwise called acceptance credits. It is a typical credit, secured or clean, opened with a syndicate of bankers or financiers who consent to accept finance bills drawn on it, these drafts being usually renewable until such a time as other credit arrangements are made to pay off the contracted debt. A well-known example of this acceptance credit is one opened by bankers to a French railroad company a year or so ago. This kind of credit is usually opened by banks for smaller amounts to foreign private banks or concerns. Governments and some governmental institutions have largely recurred to it.

A Recent Form of Financing

The last and quite recent form of financing which is the tenth in order, is illustrated in the case of the Bethlehem Steel Company. It is known that the Bethlehem Steel Company offered to the public its own short term bonds secured mostly by British treasury notes. It is not now (April 3, 1917), when the United States ranges herself with the Allies for the defense of the ideals of mankind and democracy, quite a proper time to recall the deplorable warning of the Federal Reserve Board against the French and English treasury bills, the effect of which was largely amended by a recent circular of the Reserve Board. The Bethlehem Steel Company, which, perhaps as well as some other American concerns, judged it safe to take the Allies' short term obligations, found it necessary to issue its own bonds secured mostly by these foreign treasury bills. In this way the Bethlehem Company exchanged its own credit, which was more popular and more readily accepted by the American public, for a credit certainly not less good, but against which a prejudice had been created. By this financial arrangement

English treasury notes found an indirect market in the United States.

That gives a broad idea of the mechanism of war finances. Now liberal and generous credits are projected by the United States for the Allied nations, and we shall probably have the occasion to witness some other international finance devices.

After the war, the dispersed credits, short time obligations, acceptance credits, etc., will forcibly be gathered together and consolidated in some kind of a long time loan by which finances and exchanges of belligerent nations will be regulated. The interest of such loans will be considerable. The Allied nations will have to pay the interest in some way. As they will not be willing to further increase the national debts, they could pay for them only by large exportations to the United States or by interesting American capital in their own enterprises and thus be able to diminish the importations from the United States. Americans will be called upon to help the Allied nations to restore their ruined districts and disorganized industries. For a long time to come after this consolidation of the foreign government loans, governments will abstain from borrowing money abroad. Instead of investing in foreign government securities, the United States will have to invest in foreign industrial and public service works securities.

The reason why Russian and Italian exchanges are lower than that of France could not be explained by ante bellum ideas on foreign exchange. Neither does the theory of supply and demand, which is simply a tautology* in all economical questions which it tries to interpret, enlighten the movements of foreign exchanges.

When a banker buys a draft on Russia, for instance, he does not know when and how he could dispose of it. He naturally seeks to protect himself from the fluctuations of the rates of exchange with Russia. As he is not sure that a loan will be made and thus enable him to cover his funds he naturally assumes risks in keeping his balances abroad. Many an event might happen, diminishing the value of the Russian bank note. For instance, if large shipments of gold to the United States will be decided, then the proportion of Russian State Bank's liquid assets to liabilities will greatly decrease and consequently Russian paper currency will depreciate. Hence the claim on capital which the American banker holds in Russia as a balance of so many rubles, will considerably depreciate. The banker cannot withdraw his balances in the form of gold. He can only import his bank notes or at best lend out the money within the foreign nation. These bank notes represent a claim on the nation's wealth but the amount of this claim is of an uncertain character since it cannot be foreseen to what extent the paper currency will depreciate as a result of many factors, such as prohibition of exportations from Russia, the decreased demand on these bank notes from American business men traveling abroad for pleasure or trade, etc. In fact, these bankers' balances are much like unsecured debenture bonds of a foreign government, indefinite as to the date of their maturity, and secured by an unstable gold reserve and by the future ability of the people to pay taxes and their willingness to do so.

In buying Russian rubles the banker must give capital (gold) against a promise to pay back in capital (gold) of vague character. He naturally assumes risks and against such risks he protects himself by a speculative insurance which consists in the amount he deducts from the par value of the ruble, giving only 55 per cent of it. It is a vicious circle. Bankers agree to keep balances in England because they know that English exchanges fluctuate only slightly and because they can easily dispose of their balances since periodical loans are made by England in New York, and therefore bills on London will be in demand; and, vice versa, bankers can dispose of English bills just because others are willing to buy them and deal in them. That is why the stabilizing of English exchanges was one of the first objects which pre-

*In fact, to say that a thing is dear because it is scarce and in great demand, is to say that it is dear because it is dear. On the other hand the law of demand and offer presupposes that at any given moment the amount of buyers and sellers is a definite one. In reality, however, the demand and offer will depend themselves on many factors, moral as well as material. In anticipation of a rise, bankers will buy foreign bills, they will invest in them for speculative reasons. This anticipation depends on many moral and political factors.

occupied English financiers at the beginning of the war. The same vicious circle, but reversed, will explain the deplorable situation of Russian and Italian exchanges.

It seems inconsistent, however, that the Russian and Italian governments whose credits are as good as that of France, have left their exchanges to be an easy prey of speculation for international gamblers. A proof of that are the advertisements of some financial houses which deal largely in options on rubles and liras. This inconsistency appears more flagrant when we compare two kinds of credit of the same government, one of the bank note and the other of an obligation issued in America, as, for instance, Russian five-year treasury gold notes, offered at 93¾ and bearing 5½ per cent. If Russia's credit is good in an obligation written in the English language it is strange that her credit written in the Russian language is bad, because a nation has one and only one credit, and because the day a nation has to repudiate, what is in fact an extreme depreciation of her bank notes, all her exterior and interior debts are greatly depreciated. The Russian obligation mentioned is estimated on Russia's credit based on confidence in this enterprise, which is called the Russian nation; while the Russian bank's notes, having no immediate value for an American investor, reveal quite a different estimation of the Russian credit as reflected in the actual rate of exchange. This is the more striking when it is remembered that the Russian bank note is an unconditional claim on the national Russian wealth. The same discrepancy of different estimations of the credit of a nation can be seen when prices of Russian interior and external war obligations are compared.

The loan and credit arrangements are executed by the government through its treasury. The treasury, however, will call, as we have seen, upon the state bank for help to carry out its financial manipulations within the nation. The accounts the treasury will carry with the state banks with which securities manufactured by the treasury will be deposited, will naturally be reflected in the bank's balance sheets. On the debit side of the bank's statements we find an item of conspicuous importance — Government Deposits—created on the strength of the securities of the treasury, as shown on the credit side of the statement under different names—Advances to Government, Treasury Bills, etc. These deposits will be liable to drafts by check, as in England, where the banking system is on a strictly check basis, or are paid out to the treasury in bank notes issued in amount corresponding to the "Government Securities."

The operations between the French Treasury and the Banque d'Etat are expressed under the following headings:

Creditor (actif) Advances to the State Treasury Bonds (Avances a l'Etat, Bons du Tresor).

Debitor (passif) Notes in circulation, and Current Accounts, (Billet au Porteur et en Circulation).

The same operations are seen in the Bank of England statements under the following headings of the English Banking Department:

Creditor—Government Securities and Other Securities.

Debitor—"Public Deposits" and to some degree "Other Deposits,"

because securities could be deposited by the treasury in order to create funds to draw a check on a private party, which thus gives rise to the item "Other Deposits."

The Russian State Bank shows on the Credit side Treasury Bills and Other Loans; Advances in Connection with the War; and on the Debit side Notes in Circulation and Treasury's Current Accounts.

Although the German statements show the operations between the Treasury and the Bank under Advances and Treasury Bills on the Credit side, and Notes in Circulation and Deposits on the Debit side, it can be seen very clearly that the statement of Germany's State Bank cannot be absolutely reliable. This is so because Vienna having given up publication of Austria's bank statements, and the two Teutonic banks being closely related, the statement of Germany's State Bank might easily conceal important things, for if it tells the truth it might not tell all of the truth.

THE END

Co-operating With Your Broker

What Happens When Your Broker Gets Your Order?—Machinery of Purchase and Sale—What You Should Know

By LAWRENCE S. RENZER

YOU give your order to your broker, and the only thought which comes to your mind in connection with it is, "At what price will it be reported?" If it is a market order, there may be a few hundred operations in connection with it, and just as many possibilities for errors. If it is a limited order, to buy or sell at a certain price, the number of possible operations are multiplied, and therefore the chance for error is increased. In the first example, we will follow the course of a "market order" on the New York Stock Exchange. Only the important steps will be taken into consideration.

What Happens to a Market Order?

You decide, after careful deliberation, to purchase 100 shares of U. S. Steel common at the best obtainable price. The first step is your verbal or written order to the man in charge of the customers. He again writes out on a little slip of paper with the word "Buy" printed on it, "100 Steel." The paper is passed to the Order Clerk, who notes the account for whom the purchase is to be made, and at once passes it to the telephone clerk of the order department. This telephone clerk sends the message over the private wire without the slightest delay to the telephone clerk in a small booth situated at the west end of the floor of the Stock Exchange. The exchange telephone clerk notes that the order is at the market. He writes it down on a "Buy" slip and does one of two things. If the firm's Exchange member is not busy, he presses a button at the side of the booth. This button conveys a message to the broker, somewhere on the floor, by causing a number to appear on a black background on each side of the Exchange. No matter what the broker is doing, or where he may be, his eye is trained to see that number flash at the moment it shows against the black background. That number belongs to him, and he knows it as well as the old time galley slave knew his. It may be that he is occupied with another order at the time. If so, he calls a small uniformed messenger boy and sends him to get the order. These boys are as plentiful as brokers, and one is always at hand.

Either the boy goes for and brings the order, or else the broker goes himself. No one is allowed to run or rush on the floor of the Exchange. A fast walk is all that is permitted. The broker receives the order, folded, so that it cannot be seen by any one else. He glances carefully at it, learns its import and seeks the brokers who are buying and selling U. S. Steel com. Every stock has a separate section for its individual business. Every broker instinctively knows where that locality is.

The Actual Purchase

U. S. Steel com. is a very active stock. There are always plenty of brokers buying and selling and the market is a good one. In untechnical terms, the difference between the bid price and offered price is usually the minimum difference of ⅛. The first duty is to learn the real market. Usually the sellers are shouting "100 (or 500) at an eighth." If the offer is for 100, the minimum trading unit, the call is "At an eighth." This means that the seller is offering his shares at 135⅛. An indicator at the post nearby has the last sale marked on it, and the newcomer can tell the round figures, so that the seller does not need to shout or call "500 at 135⅛." The fraction preceded by the word "At" is sufficient. The broker, at the same time hears buyers call, "Five for a hundred," or "Five for 500," as the case may be.

If there are more than 100 shares offered at ⅛, the broker has one of two options. He may "stop" his proposed

purchase at 1/8. That is to say, he will arrange with a proposed seller to sell 100 Steel at 135 1/8 if 100 or more shares sell at that price. Having done this, he may join the other would-be purchasers by bidding 135 for the stock. The first broker to bid a price has "the floor." He is entitled to the first 100 shares sold at that price. As soon as a sale is made, bids and offers are reopened. If two or more brokers bid the same price at the same time, and 100 shares is offered at this bid price, it is customary to match coins to see who is entitled to the sale. If our broker is able to purchase his 100 Steel com. at 135, the "stop" at 135 1/8 is automatically cancelled. But it is not cancelled until our broker actually buys his stock at a lower price or the stock is purchased at the "stopped" price. The other alternative for the broker is for him to buy the stock at once at the offered price. He must use his judgment in such matters.

How It Is Reported

As soon as the order clerk in the broker's office handed the order to his telephone clerk, the former made an entry in his order book. This entry remains there until the report of the purchase reaches him. He is waiting for it, and if there is a delay, he must telephone to learn the cause. After our broker has purchased the stock, he writes on a report slip, which he carries in his hand, the following, "Bot. 100 Steel com. 135 1/8 Bogert." The last is the name of the broker from whom the purchase was made. He either sends the report by messenger or takes it himself to the telephone clerk at the Exchange telephone booth, which his firm rents, and this report is sent back over the private wire to the telephone clerk at the office, who gives a written report to the chief order clerk. The latter notifies the customer's man, who in turn notifies the customer.

A copy of this "filled" order is sent to the clerical department. It must at once go to the margin clerk, next to the Purchase and Sales Department, and again to the stenographer. The order must be stamped with the date, the time of day it was sent and filled, and a copy of the report made out for the customer. The clerks enter it on their books and make a comparison of the transaction with the office of the seller, either direct or through the Clearing House. The bookkeeping record features are part of another story.

The Limited Order

Limited orders may be for "the day," "for the week" or "good until cancelled (countermanded)." Each form tells the nature of the time limit by its title. Suppose the order was to purchase 100 Steel com. at 126. At the time the order reaches the Stock Exchange floor, U. S. Steel com. is selling at 135.

The telephone clerk can use his judgment in doing one of two things. He may call his floor member by number, if he knows such member is not busy at the moment, or he may give the order to a messenger to take to the "specialist." The floor member, upon receipt of the order may not desire to carry this order about with him waiting until Steel com. sells down to the price, and *he* may give the order to the "specialist."

What is the specialist? There are always one or more brokers who do no business except in the stocks located at one "post" or locality. There are from ten to twenty stocks dealt in at each post, and at other sections of the Stock Exchange. These specialists never leave this one part of the floor. They have large, but convenient order books, usually silica slates, on which to enter these orders, "away from the market," and to erase them when completed. The regular charge for buying or selling 100 shares for another broker is $2 for nearly all stocks. The very low priced shares have a smaller charge in accordance with the rate charged the customer by his broker. The "specialist," in turn, becomes the broker for a broker.

The specialist may have many hundreds of shares to buy at the same price for many different firms representing still a larger number of customers. He shows no favorites, and should not. The first order at a price for Jones is filled before the second order at the same price for Smith. The specialist is the usual holder of "stop-orders" away from the immediate

market price and his order book can tell the trading position of a stock better than any other kind of information.

The Odd Lot Order

The basis of trading of the New York Stock Exchange is 100 shares. Anything below 100 shares is an odd lot. As a rule, brokerage firms dealing for individual customers, do not buy or sell odd lots with each other. There are four or five firms which make a specialty of this business. They do not have the outside public, individual customers. Their customers are all the other brokerage firms. The Stock Exchange member for a customer's firm seldom if ever sees an odd lot order. These Odd Lot firms usually retain a large number of members. The members are scattered about the different parts of the trading room, and each one attends to the business covering a series of stocks most convenient to him.

The telephone clerk receiving an odd lot order, knows with which odd lot firm his employer deals. A messenger is sent with the order direct from the telephone booth to the odd lot broker specializing in the stock for which the order calls. The odd lot broker receives the order. If it is a market order, he makes out a report at 1/8 or 1/4 above the last sale if a purchase, and below the last sale if the stock is to be sold. Sometimes he waits until a transaction occurs basing the price on "the next transaction." If the bid and asked prices are far apart, and the trading in the stock is very inactive, he sends a quotation to the firm sending the order, asking the customer if he desires to wait until the next sale, or if he wishes the price to be based on a previous sale, or possibly on the bid and offered prices. To the layman, it is a wonderful mystery how the odd lot firms ever keep track of their trades. An explanation is difficult, but the principle involved is that, when the odd lot dealer buys enough odd lots of stock to aggregate 100 shares, he sells that 100 shares in the open market. He pays 1/8 to 1/4 less than the prevailing price, and sells at 1/8 to 1/4 of a point over the prevailing price. He must watch the market in 100 shares closely so as to be able to get his profit at once. Some firms maintain a speculative position, while others try to even up as rapidly as possible. The small 1/8 or 1/4 of a point is not too much to charge for the risk involved. On a very active day, these odd lot firms are filling orders from their offices many hours after the Exchange is closed. The risk is easily apparent, as they must take every order offered them.

The Bond Orders

One section of the New York Stock Exchange is set apart for dealing in the listed bonds. A glance over the official bond quotation sheet of the Exchange gives the novice heart failure to even imagine how it is possible to deal in so many issues. The average member of the Exchange is content to permit the specialists in bonds to do their own work. He knows that the specialist can obtain a better market than he can. In almost every case all orders are given out at once to these men who make bond deals their special business. Except when the order is for a large amount in a bond actively dealt in and at the market very few brokers have the temerity to attempt to fill the order themselves.

As a rule, therefore, the order in bonds goes straight to the bond dealer without the firm's floor member seeing it. The report is sent by the bond broker when the order is filled, by messenger. It takes years of experience to be a specialist in this department and the business is most intricate.

Orders in Curb Stocks

The outside market, known as the Curb Market, follows the plan of the big exchanges. There is a special locality where each stock is traded in. The machinery is not so complete and there is no indicator for the broker to glance at to note the last sale. There is no ticker such as one might watch to follow prices and the report of transactions is not nearly so accurate.

Nearly all firms maintain representatives on the Curb. The representatives may not be associated with the firms except in so far as they may have desk room. Each curb man usually has a telephone located in a building near the curb

market and a clerk to receive orders. The transmission of orders to the broker is either by signals or messenger. The casual sightseer would note young boys making all kinds of curious motions with fingers, eyes, body or by printed signs, from windows overlooking the Broad Street Curb. Messengers are running back and forth in much the same manner as on the floor of the Stock Exchange. The same system as to entering the order in a book, stamping it to show the time received, day, hour and minute, is used as for orders on the New York Stock Exchange. The Curb Market has no clearing house and each transaction must be compared between the clerks of buyer and seller. The machinery is more cumbersome. Odd lots may be bought and sold between brokers the same as 100 shares, but on the Curb there are specialists in each stock the same as on the exchanges.

Unlisted and Over the Counter Stocks

There are hundreds and even thousands of different securities which do not have a regular market. This class is also usually high grade and the business is growing more rapidly each day. Many firms and hundreds of individuals make a speciality of certain classes of stocks. Some firms deal in oil stocks, others in steel stocks, some in bank and trust company stocks, and there are also specialists in insurance and munition stocks. Other firms deal entirely in bond issues which are not listed on any exchange or Curb Market.

The various firms handling the accounts of customers know these "outside" specialists. When orders are received from customers in such securities, the transactions are made direct over the telephone. If there are two or more firms specializing in the same class of security as called for in the order, each one is called and the bid and asked quotations are listed. The best bid gets the sale and the best offer brings about the purchase. In this case the telephone does all the work.

The Enormity of Detail

Each order is individual. The many details in connection with the fulfilling of the order and the following of it to the completion of its course involves the entire history and study of brokerage business, including the accounting feature. The outline given in the preceding paragraphs may be of use to the customer in at least making him understand the complexity of detail and the possibility of delay and error. Even the smallest order passes through so many operations and in such a short time that the insurance of accurate completion demands a large premium. The premium for this accuracy is only the commission. It is possible for a small brokerage firm to earn five thousand dollars in commissions in one month and lose it all in ten minutes through an error of either clerk or broker.

A Few Things for the Customer to Remember

The order departments in this country, with reference to brokerage, far surpass the English or Continental service. The time taken to fill an order is the shortest of any other business known.

Do not expect to purchase 100 shares of U. S. Steel com at 135 when 500 other people want Steel at that price and only one small transaction occurs at 135.

Do not complain about an Odd Lot order, if you send in to buy 10 Nat Biscuit at the market, the last and lowest sale being 105, and your report reads 104¼. You should have either asked for a quotation or specified that your purchase was to be based on "the next sale."

Do not tell your broker to use his judgment. Take your own responsibility and tell him what to do,or what you wish to do. Be careful to mark your order either "Buy" or "Sell" and state how long it is to be effective before you desire its cancellation.

Be certain to give one order at a time. Also be careful to cancel an order if you supplement it with any change.

Try not to make one order contingent on another. Avoid all possible ambiguity. Ambiguity means loss to you and the broker.

Be certain to have a complete understanding about the price of an order when the stock in question sells ex-dividend or ex-rights.

Write your orders and see that they are confirmed.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Denver & Rio Grande pfd....	0	0.0	6.04	4.99	2.29	4.21	2.82	2.85	7.66	16	47.87	Adverse Western Pacific decision.
Colorado Sou. 1st pfd........	4	7.4	34.72	27.04	17.64	19.59	4.77	6.52	25.32	54	46.88	1917, 3 months shows increase in earnings.
Southern Ry. pfd...........	0	0.0	9.59	11.12	11.27	11.79	8.07	2.76	15.56	56	27.78	Double tracking branch lines.
Erie 1st pfd................	0	0.0	10.60	8.46	5.85	13.95	0.33	12.56	9.56	40	23.90	March quarter earnings indicate deficit.
Ches. & Ohio	4	6.6	5.06	6.80	5.25	4.73	4.25	8.11	12.21	60	23.50	1916 property accts. increase one million.
P. C. C. & St. L. com.......	0	0.0	5.36	4.91	7.12	.....	0.89	9.38	14.25	72	19.79	Paid 5% on Jan. 15, 1917.
New York Central..........	5	5.3	6.41	6.87	6.23	5.87	3.75	11.10	18.28	93	19.66	Expect to issue 8½ million equipment ctfs.
Wisconsin Cent. com........	0	0.0	2.40	.....	0.33	3.98	0.42	.....	9.97	51	19.55	After 4% paid on pfd., com. participates.
Buff., Roch. & Pitts. com....	6	7.5	11.11	12.85	13.43	16.82	9.47	5.26	15.28	80	19.10	Orders new equipment.
Louisville & Nashville.......	7	5.4	17.35	14.26	15.93	11.64	9.22	6.75	23.72	128	18.53	3 mos. 1917 earnings normal.
Minn., St. Paul & S. S. com.	7	6.5	14.09	5.86	11.17	14.62	7.55	7.86	16.32	107	15.25	Earns 13.90% for calendar year.
Kansas City So. com........	0	0.0	2.17	2.74	0.15	2.68	2.95	1.00	2.97	21	14.14	½ million surplus increase 1916.
Norfolk Western com........	7	5.6	11.79	8.93	9.88	10.17	8.68	8.77	17.34	125	13.87	4 mos. 1917 show slight decrease.
St. Louis S. W. pfd........	0	0.0	4.10	6.11	8.14	9.49	1.69	—1.40	6.37	46	13.84	1917 earnings show steady increase.
Atchison R. R. com.........	6	5.8	8.99	9.30	8.19	8.62	7.39	9.18	12.30	102	12.05	1917 earnings, 4 mos., slight decrease.
Southern Pacific	6	6.5	12.99	9.56	7.92	9.85	7.50	7.20	10.98	92	11.93	Continuance of Gulf Fleet authorized.
Chicago Great West. pfd.....	0	0.0	0.88	1.87	0.45	3.03	1.98	1.92	4.02	34	11.81	Paid 1% April 2, 1917.
Union Pacific com..........	8	5.7	19.16	16.61	13.88	15.14	13.10	10.98	15.65	138	11.34	Extra dividends.
Canadian Pacific com........	10	6.1	16.00	17.28	19.62	19.56	13.63	11.27	17.53	163	10.75	1917 earnings compare favorably with 1916.
Reading R. R. com..........	4	4.2	5.38	3.33	3.41	8.43	4.03	4.18	10.16	95	10.58	1917 earnings show decrease.
Illinois Central R. R........	6	5.8	7.16	10.20	3.12	6.02	7.40	6.29	10.80	103	10.48	Various physical improvements planned.
Pennsylvania R. R..........	3	5.6	4.64	4.32	4.68	4.43	3.41	4.25	5.50	53	10.37	275 new locomotives ordered.
Baltimore & Ohio com.......	5	6.9	8.86	6.89	7.58	7.22	4.50	5.49	7.41	72	10.29	Tremendous freight business.
Lehigh Valley R. R.........	5	8.0	9.02	6.20	5.34	7.23	5.83	5.22	6.33	62	10.21	April earnings show improvement.
Chicago North Western com.	7	6.2	9.34	8.48	7.09	9.55	7.58	7.58	11.39	112	10.16	10 million dollar trust ctfs. authorized.
Great Northern pfd..........	7	6.4	8.47	8.34	10.31	11.69	8.85	8.27	11.06	109	10.14	Earned $6.88 on stk. last 6 mos.
Atlantic Coast Line	7	6.3	11.98	12.93	11.92	11.48	10.68	6.26	11.23	111	10.11	1917 earnings increase.
Northern Pacific R. R......	7	6.7	8.99	8.24	7.93	8.69	7.93	7.59	10.37	104	9.97	Large locomotive order placed.
Chicago, Mil. & St. Paul com	5	6.6	9.11	7.11	1.19	8.64	6.33	3.28	7.33	75	9.77	Large colonist movement along lines.
Delaware, Lack. & Western..	5	2.5	17.71	16.90	16.58	13.36	14.13	12.96	19.15	200	9.58	Extra dividends.
Delaware & Hudson.........	9	8.1	12.54	12.32	12.95	14.53	10.84	14.28	9.75	110	8.86	Improvement expected from coal earnings.
New York, N. H. & Hartford	0	0.0	8.86	6.25	7.45	4.96	0.15	1.47	2.75	36	7.64	New issue preferred stock.
Seaboard Air Line pfd......	0	0.0	6.82	6.40	2.37	6.14	5.72	1.43	0.44	27	1.62	Opening up new Florida territory.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor*.

RAILROADS

Alabama Great Southern.—Declared a dividend of 3% and an extra of ½ of 1% on the preferred stock, payable Aug. 28, 1917, to stock at the close of business July 21; also a dividend of 2½% and an extra of 1% on the ordinary stock, payable June 26 to stock of record June 4.

Atchison, Topeka & Santa Fe.—In April, Atchison's gross revenues increased slightly more than 20% over the corresponding period in 1916. The gain in gross for nine months ended March 31 was between 16% and 17%. President Ripley recently said earnings for the 12 months ended June 30 would show fully 15% and possibly 16% earned on the common stock.

B. & O.—The Baltimore *Sun* said: "For the first time since October the road will report monthly earnings in excess of $10,000,000 for April."

Boston & Maine.—For the year ended June 30, 1916, Boston & Maine earned a surplus after all charges of $4,065,000. For the nine months ended March 31, 1917, the surplus was $1,760,000. The road is going into one of the best quarters of the year, and it is fair to predict that, notwithstanding heavy operating expenses, it will be able to show a surplus for the fiscal year of not far from $2,000,000.

Buffalo, Rochester & Pitts.—Placed an order for 25 high-power locomotives, making a total of 70 engines purchased by the road in four months. The new locomotives will all be equipped with automatic stokers which, in addition to feeding the coal into the firebox pulverize it first.

Central of N. J.—Declared an extra dividend of 2%, payable June 30 to stock of record June 19. This is the same amount as usually declared at this time of the year.

Chicago, Burlington & Quincy.—Company's construction department is rushing double-track and grade reduction on the main lines between Greenwood and Ashland, Neb. Progress made on the Chalco-Yutan cutoff brings it nearly to completion, and work is proceeding also on the new Platte River bridge at Grand Island, and on a considerable amount of new construction on the Casper division.

Chicago & North Western.—The Illinois P. U. Comm. authorized this company to issue $10,000,000 equipment trust certificates.

Chicago, Mil. & St. Paul.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $42,247,364, compared with $38,749,292 June 30, 1916. 1916 surplus after charges of $16,068,260 is equal to $6.77 earned on 1,174,060 shares of common stock after allowing $8,109,206 on the 1,158,458 shares of 7% preferred.

Cincinnati, New Orleans & Texas Pacific.—Declared the regular quarterly dividend of 1¼% on the preferred; also the regular semi-annual dividend of 3% and 3% extra on the common stock.

C., C., C. & St. Louis.—Asked the Illinois P. U. Comm. for authority to issue $2,370,000 equipment notes at 5%, to sell at 93, to pay for equipment for which contracts had been let.

Detroit, Toledo & Ironton.—Asked the Ohio P. U. Comm. for permission to issue $500,000 5½% equipment gold notes to be sold at 97½, the proceeds to be used in purchasing 400 auto box and 50 gondola cars.

Great Northern.—Report, six months ended Dec. 31, 1916, shows gross operating revenues of $47,284,419, an increase of $1,919,251 over the corresponding period of 1915. Net operating revenue was $22,617,117, or $2,737,874 less than in 1915. Operating income was $19,667,685; surplus after charges, $17,201,176 and balance after dividends, pension fund and dock renewal, $8,331,309. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $60,279,826, compared with $52,188,779 June 30, 1916. Net income of $17,201,176 for the six months ended Dec. 31, 1916, is equivalent to $6.88 a share on 2,494,768 shares of capital stock outstanding.

Illinois Central.—Bought the mines of the Central Iron & Coal Co. at Central City, Ky., for $500,000. The purchase was made because of trouble with the miners, which prevented the filling of full orders. The production is 1,600 tons a day.

Maine Central.—Declared a freight embargo on everything except foodstuffs because of the freight congestion brought about in part by strikes of employes.

Missouri Pacific.—In nine months to March 31, 1917, the company reported gross of $56,347,000, an increase of $8,385,000, or 17.5%. Net after operating expenses and taxes was $15,105,000, an increase of nearly 40%. The net for nine months was com-

fortably in excess of the fixed and other charges for the full year, on the reorganized basis. In three months, Jan. 1 to March 31, inclusive, gross increased $2,784,230 and net $1,894,000, gains of 18% and 70%, respectively. The three months' net available for fixed charges was $4,950,000, against reorganized basis of requirements for rentals, hire of equipment, interest, etc., of $3,000,000.

N. Y. Central.—Has been granted a franchise to build a new line through the city of Tonawanda, N. Y., including a bascule type bridge. The company is expected to spend $2,500,000 for improvements in the Tonawandas.

N. Y., Chicago & St. Louis.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $2,184,087, compared with $1,489,289 Dec. 31, 1915. After allowing for full dividend requirements on the first and second preferred stocks, this company's 1916 balance of net income is equivalent to $6.11 a share earned on 140,000 shares of common.

N. Y., N. H. & Hartford.—President E. J. Pearson has completed plans for a modification of the company's operating department organization, and greater concentration of authority and responsibility on the part of the officers of the company. The names "Eastern and Western Grand Divisions" have been discontinued, and in their places three grand divisions as "Lines East," "Lines West" and "New York Division, Terminals and Connecting Ry." The amplified policy of organization makes each division superintendent substantially a general manager of his division.

Pere Marquette.—The N. Y. Stock Exchange has received application to list the following securities: Pere Marquette Ry. Co., $21,976,000 first mortgage 5% bonds, series A, due July 1, 1956; $8,479,000 first mortgage 4% bonds, series B, due July 1, 1956; $11,200,000 voting trust certificates for 5% prior preference stock cumulative from April 1, 1917; $12,429,000 voting trust certificates for 5% preferred stock, cumulative from Jan. 1, 1919, and $45,040,000 voting trust certificates for common stock.

Pittsburgh & Cambria.—Has taken over the Pittsburgh, Westmoreland & Somerset R. R., and will join it with the United Lumber R. R., of Somerset, previously purchased, opening direct traffic between Ligonier and Somerset, Pa. The new road will connect with the Baltimore & Ohio R. R., at Ursina. The total distance is about 35 miles.

Southern Pacific.—Was authorized by the I. C. C. to continue in possession and operation of its fleet of merchant steamships plying between New York, New Orleans and Galveston. The company has acquired the following roads in California, representing a total mileage of 213: Coast Line Ry., 12 miles; Hanford & Summit Lake Ry. Co., 42 miles; Oroville & Nelson R. R. Co., 13 miles; Colusa & Hamilton R. R. Co., 61 miles; and the Mojave & Bakersfield R. R. Co., 85 miles.

Southern Ry.—Plans have been completed for starting work on the construction of 26.2 miles of double track on the Cincinnati-Chattanooga line of the Southern Ry. System, contracts having been let for grading between Moreland and South Fork, Ky., 8.7 miles; Helenwood and Robbins, Tenn., 6.4 miles; and Huffman and Lancing, Tenn., 11.1 miles.

Temiskaming & Northern Ontario.—Report, year ending Oct. 31, 1916, shows total operating revenue of $2,138,121; total operating expenses, $1,594,177; net operating revenue, $543,944; operating income, $34,611; total income, $628,555; deductions, $99,850; surplus, $578,705. Balance sheet, as of Oct. 31, 1916, shows working assets of $750,767, working liabilities of $532,418, balance profit and loss of $14,303 and total assets and liabilities of $21,957,684.

Texas & Pacific.—1916 net income of $3,487,379 is equivalent to $5.77 a share earned on 387,638 shares of capital stock, after allowing for 5% interest on the $25,000,000 second mortgage and income bonds. No interest on these bonds had been paid since March, 1908. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $2,107,801, compared with $94,260 Dec. 31, 1915.

Wabash Ry.—April earnings show increase over previous months of 1917. Dow, Jones & Co. May 24, 1917, stated that this company in April did vastly better than in the earlier months of the calendar year, because of the general improvement in railroad operating conditions. During the winter months the worst weather in the history of the road prevailed. During April gross increased 13% and net after expenses and taxes increased 14%. Surplus after all deductions for the month was $397,000, or at an annual rate of 5% on both the preferred A and B stocks, and a balance over for the common.

Western Maryland.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss deficit of $1,574,541, compared with a surplus of $2,606,018 June 30, 1916.

Industrial Digest

Acme Tea.—$2,750,000, 7% cumulative first preferred stock and $3,500,000 common stock of this company, par $100, has been admitted to the regular list of the Philadelphia Exchange. This action removes these stocks from the unlisted exchange.

Allis-Chalmers.—Net profits in April indicated that the current quarter would establish a new high record in earnings. In the first quarter net profits were $900,672, equal to about $21 a share on the preferred stock.

American Beet Sugar.—Should Congress in its haste to complete war revenue taxes adopt its original proposition of a flat 10% ad valorem duty on raw sugar, as well as all other raw materials, the result would be a material stimulus to the profits of such beet sugar companies as American Beet Sugar. During the fiscal year to March 31, 1917, American Beet Sugar achieved the record production of 215,000,000 pounds of refined sugar, an increase of 40,330,000 pounds, or 23% over the previous year.

American Ice.—In April gained $119,000 over the corresponding month a year previously. The April gain brought the increase in net for the first six months of the fiscal year, Oct. 1 to April 30, inclusive, up to $306,000. The gain in April was the largest of any month of the first half of the current fiscal year.

American Linen.—Declared a regular quarterly dividend of 2½%. The previous quarter it paid 1½%, which has been its usual rate.

American Locomotive.—Received an order for forty 160-ton Mikado type engines from the Northern Pacific Ry. Co.

American Stores.—Gross sales of the five Philadelphia chain of stores now constituting the American Stores Co. for the period from Jan. 1 to May 5 were $20,509,209, as compared with $15,261,037 for the corresponding period of 1916, an increase of more than 34%.

American Woolen.—The hundreds of strikers out, met and voted not to return to work until they receive a 15% advance in wages. The shippers and finishers of the Ayer mills, another plant of the American Woolen Co., went on strike May 16 and it is believed that a number of operatives will be affected. Nearly 5,000 operatives are employed in this mill.

Baldwin Locomotive.—Has been a disappointment to stockholders. In 1916 it shipped $33,605,024 worth of locomotives and $25,614,033 worth of munitions, making a total production far greater than ever before. However, so much had to be written off the munitions profits that net for the year figured out at only 6.1% on the $20,000,000 of common stock, compared with 7.13% in 1915. The company has always paid the 7% dividend on its $20,000,000 of preferred stock, though not always earning it fully. Received orders for 85 Mikado type and 15 0-8-0 type locomotives for the Great Northern Ry. and four 2-6-2 type for Japan and two 2-6-2 for Chile. Has also received orders for fifty 0-6-0 type for the British War Office and seven for different companies.

Bethlehem Steel.—Is expected to receive a large share of the work authorized by the Government in connection with submarine building. It is also rumored that contracts are pending for the construction in this country of submarines for the European Allies.

Canadian Car & Foundry.—Closed an order with the Canadian Government railways for 1,000 freight cars, upon which work would be immediately begun. The Lachine plant has completed an order for 1,000 cars for the French Government, and 2,000 cars are under construction for the Russian Government.

Chandler Motor Car.—Net profits up to June 1, 1917, with the last ten days of May estimated, were approximately $1,206,000, or slightly over $17 a share.

Chesebrough Manufacturing.—Declared the regular quarterly dividend of $3 and an extra of 50 cents a share, payable June 19 to stock of record June 2.

Crucible Steel.—Declared the regular dividend of 1¾% on the preferred stock and a dividend of 4% on the accumulated preferred dividends, both payable June 30. This leaves 4% remaining to be paid on back dividends.

Emerson Phonograph.—Report to the stockholders for six months ending April 30, 1917, is printed in this issue of the Magazine of Wall Street. See advertising pages.

General Electric.—Declared the regular 2% dividend on the stock, which was somewhat disappointing to the stockholders, who, in view of the great prosperity of the company, expected an extra or a stock dividend.

Gulf States Steel.—Net operating income for April amounted to $291,940, increase of $102,987 over April, 1916. After allowing $31,819 for depreciation, reserves and taxes, etc., net income was $261,121. For the first four months of 1917 net operating income was $1,263,174, or an increase of $657,327 more than for the same period last year.

International Harvester.—Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $20,011,120, compared with the same amount Dec. 31, 1915. The book surplus did not change during the year, the balance of 1916 earnings, after payment of preferred dividends, being carried to contingent reserve (exchange, war losses, etc.) until it is possible to determine the extent of war losses.

International Nickel.—The new $4,000,000 refining plant at Port Colborne, Ont., has all the foundations completed and the steel work on the main building about finished. The first nickel probably will be turned out Dec. 1, 1917. Balance after preferred dividends of $13,023,214 for year ended March 31 is equivalent to $7.78 a share earned on 1,673,384 shares of common stock of $25 par value, against $6.70 a share earned the preceding year. Balance sheet, as of March 31, 1917, shows a profit and loss surplus of $6,277,105, compared with $3,294,195 March 31, 1916.

International Paper.—The N. Y. Stock Exchange announced that it had received application to list $19,021,700 of this company's preferred stock (to be restored to the list in exchange for Bankers' Trust Co. certificates of deposit) and $2,593,300 of its preferred stock on official notice of issuance and payment in full, and $2,557,200 additional common stock.

Lackawanna Steel.—Declared an extra dividend of 2½% out of the earnings of the first two quarters of 1917. It is payable June 30 to stock of record June 15. On Nov. 23, 1916, an extra dividend of 3% was declared.

Midvale Steel & Ordnance.—It is confidently believed that this company would earn $30 per share, or 60% on its $100,000,000 stock during fiscal year to Dec. 31, 1917. In 1916 the company earned $16 per share, or 32%. In March quarter profits were at the rate of 53.6%, or $26.80 per share.

Railway Steel Spring.—Earnings of this company are understood to be running ahead of what they were in 1916. The demand for equipment on the part of the railroads is heavy, believed to be due largely to war preparations.

Submarine Boat. — Important expansion developments are expected in this company's affairs. In the meantime, the corporation's books are being loaded down with orders. The Government, in addition to the order for submarines placed in January, has told Submarine Boat officials to go ahead on an additional twenty-four 800-ton submarines, to cost approximately $1,500,000 each. This order is placed on a cost-percentage basis, and amounting to approximately $36,000,000, means profits of $3,600,000 to the Boat Corporation on the usual 10% basis. The corporation has also taken an order from Italy for fifty 80-foot submarine-chasers at $48,000 each. These are the same type of boat which the company standardized and built for the British Government. Orders on the Boat Corporation's books total considerably in excess of $100,000,000.

Superior Steel.—Directors are considering the question of placing the common stock on a dividend basis. Action, however, probably will be deferred until the Government's taxation plan is out of the way. Earnings of the company, as shown by the report submitted to the Stock Exchange, were at the rate of about $45 a share annually on the junior issue in the first quarter of 1917. The company had on March 31 $1,475,562 cash on hand, with bills and accounts receivable amounting to $767,455, while its current liabilities totaled $636,757.

Transue & Williams. — Gross sales for April, 1917, of this company amounted to $582,836, and net profits after deductions of all expenses and depreciation amounted to $104,888, or at the rate of $1,258,000 yearly.

Union Bag & Paper. — Earnings during quarter ended April 30, after all charges of $622,689, are at the rate of over $24 per share on the outstanding capital stock of the company and are sufficient to take care of regular dividend requirements for the whole of 1917. The company estimates that the $90,000 reserved from earnings of the first quarter will be sufficient to pay all taxes which will be incurred as a result of the war.

U. S. Industrial Alcohol.—While reports that this company would declare a 100% stock and 6% cash dividend on the common stock did not materialize at the meeting of the Board of Directors May 17, when the regular 1¾% dividend was declared on the preferred stock, and only routine business transacted, and although no definite plans have been formulated, it is understood that early in 1917 this company will readjust its capital to meet the conditions incident to increased prosperity during the preceding two years. A 100% stock dividend, as well as a regular dividend on the common stock, would not be surprising.

U. S. Steel.—With earnings running at the rate of $125,000,000 quarterly, United States Steel is showing profits of close to $1,650,000 for each business day, and is making an actual addition to assets of more than $1,000,000 per day. If earnings reach $125,000,000 in the current quarter, total actual addition to assets will amount to $726,892,317, equal to $143 a share on the common.

Virginia-Carolina Chemical. — This Co.'s fiscal year ending May 31, 1917, should prove the best in its entire history from the standpoint of net profits. It will slightly exceed the record of the 1916 year, when net profits for the first time crossed the $5,000,000 mark with a total of $5,667,847 and a balance for the $27,984,000 common after all charges and preferred dividends of $2,907,077, or 10.39%. Prospects are that the company will earn between $11 and $12 per share for its common stock.

Railroad and Industrial Inquiries

Superior Steel

P. S. A., Brooklyn, N. Y.—Superior Steel is earning at the rate of about $40 to $50 a share per annum. This company took over the old Superior Steel Co. in December, 1916. It is very heavily capitalized. If the current abnormal prosperity for the steel industry in general continues long enough, the company may be in a position to put large enough equities back of its common stock to give that issue some investment standing. It can now be regarded only as a speculation. It has possibilities from that standpoint, but we should prefer to recommend for speculation at this time the purchase of some of the better established steel stocks.

Agwi Lines

T. B. A., Indiana Harbor, Ind.—Atlantic Gulf & West Indies paid an initial dividend of $5.00 on the common stock on February 1, 1917, out of earnings for the fiscal year ended December 31, 1916.

This stock is an extremely speculative one, although in the decline in price, which has taken place in the last weeks, some of the uncertainties in the shipping fields have been discounted. Earnings this year so far have been running at a rate indicative of about 56% on the common stock, which compares with 49.73% in 1916. Perhaps the largest factor in the situation affecting Atlantic, Gulf & West Indies is the prospective tonnage requirement by the United States Government for the transportation of men and supplies to Europe. It is not known at this time how much tonnage the Government will requisition, but it is certain that the Atlantic Gulf combine of ships will be asked to contribute their quota of tonnage. Tonnage thus abstracted would necessarily affect adversely the earning power of the company, although tonnage over to the Government will not be a dead loss as far as earnings are concerned, because the Government will probably pay a fairly substantial rental for such tonnage.

Atlantic Gulf at the current price certainly looks like an inviting speculation, but we would hardly recommend buying it, and would suggest that you wait until the Government's position with regard to privately owned and operated shipping has been made known.

S. S. Kresge

R. T. Y., New Castle, Pa.—S. S. Kresge is a sound investment. The Kresge company is one that is growing steadily by putting the profits of its business back into the business. Thus it is strengthening the equities back of the stock and increasing its earning power. The present dividend rate is only 4%, and it is not probable that any considerable increase will be made in this rate in the near future at least. Those who buy the stock now should be satisfied with a small income return for the present, but they may be assured of an ultimate handsome profit on their transaction.

Low-Priced Rails

T. A. A., Oyster Bay, L. I.—Chicago & Great Western, Kansas City Southern and Seaboard Air Line are more or less risky stocks to hold at this time, particularly Chicago & Great Western and Seaboard Air Line. We suggest that you get out of these two at least. They may rally somewhat, provided there is some favorable railroad news, such as a granting of the freight rate increase, but there is really so little in prospect to engender optimism on stocks of this class at this time that we cannot conscientiously recommend that they be held.

You might, however, hold your Kansas City Southern common, for this stock has considerably more merit than the others, and under the stimulus of a good market it might have a very considerable recovery. At the same time we desire to point out that it is a mistaken attitude to insist on holding stocks which have gone against you in the hope that they are "coming back." There are times when it is much better to sell out at a loss and reinvest in something else where you have an opportunity to make up your loss quickly. In the present market the railroad stocks generally have been backward and are likely to be backward, for there are so many disconcerting factors in the railroad situation. On the other hand, the steel, equipment and some of the copper stocks representative of the companies which are the direct beneficiaries or, at least, will be the direct beneficiaries of the expenditures on the part of the Government for the prosecution of the war, are the leaders in and are likely to continue the leaders in a broad speculative market. The present advance is based on the expectation that the money to be spent by our Government will mean inflation and will help mostly the producers of raw materials.

Saxon Motors

B. B. S., Boston, Mass.—Saxon Motors manufactures a car to compete with the Maxwell and Ford. It is a comparatively new entrant into the field. It has had great success and has expanded very materially in the last few years. The question is, however, will the company be able to continue the success already gained in a period of depression or at a time in future when competition becomes keener, as it undoubtedly will in the cheap car field, because of the enormous production schedules of the various manufacturers of such cars. Ford's

competition must be met at a time when material and labor costs are rising and thus cutting down the margin of profit per car. These circumstances are those that have influenced the selling of the stock. In view of the uncertain future, we do not suggest that you buy more of the stock at this price, although the dividend may be fairly secure for quite some time yet, at least, and the company, owing to the fact that it is sold ahead, is assured of continued large earnings for a certain period ahead. The stock market, as you no doubt realize, discounts the future. That is what it is doing now in the motor stocks.

It would perhaps be advisable for you to hold the stock now for a rally since it has had a severe decline, and should recover somewhat on technical grounds, if for no other reason, but we frankly believe you should make up your mind to take a loss and accept any good opportunity you may have to dispose of your stock in the near future.

Colorado Fuel & Iron

M. W. M., Houston, Tex.—Colorado Fuel & Iron is a very ably and conservatively managed company. As a result of the Rockefeller policy of upbuilding, the company has been placed in a much stronger financial position by the judicious conservation of its surplus earnings in the last few years. The company, like all other steel and iron producers, has benefited to an abnormal extent from the current unprecedented prosperity in the industry, but as a result of that the company has progressed very much more rapidly than otherwise would have been the case. Notwithstanding its improved position, there is still a great deal of development work to be done before the property is placed on a basis where it may be deemed wise to inaugurate dividends on the common stock, and we doubt whether payment will be started any time in the near future.

The stock is, however, in a very favorable market position for a speculative rise; the probability that dividends are not near should not interfere with such a rise. With the main trend of the market for the raw material stocks, especially the copper and steel issues, strongly upward, Colorado Fuel & Iron should share generously in the advancing movement.

Cuba Cane Sugar

N. A. T., Palmyra, N. Y.—Cuban Cane Sugar is a very speculative stock. We do not regard it as being intrinsically worth the price it is selling for. However, it is a stock which might come in for a large amount of speculative favor with a continuation of the current bull movement. The company will undoubtedly show big earnings on its common stock this year as it did last year, although it is doubtful if last year's record will be beaten. It is difficult to judge of the intermediate speculative movements in a stock of this character, but since we assume that your position on it is speculative and that you are cognizant of the risk involved in holding it, we are going to recommend that you keep half your stock and that you switch from half of it into National Enameling & Stamping. By so doing you will not only lessen your risk on your entire investment, but you will have part of your funds placed in an issue of a character which is likely to respond quite readily to a further upward movement in the market.

Attractive Speculations

H. A. M., Pittsfield, Mass.—While we are bullish on the stocks you mention, we should hardly deem it advisable to buy them at the market. All of these issues have experienced advances of considerable proportion during the last two weeks, and it is only natural to expect some reaction. Westinghouse, Baldwin, American Locomotive and Republic Iron & Steel, however, have attractive speculative possibilities. It is logical to look for a continuation of the bull movement, and these are stocks which should fall readily into line. Purchases made now or on reactions should be protected with stop loss orders of from three to five points, so that the risk will be limited to that extent in the event of a sudden reversal in the market situation.

National Enameling

I. D. R., Oyster Bay, L. I., N. Y.—National Enamel & Stamping is an attractive speculative investment, but we suggest that you wait for a reaction before buying the stock. We favor it more than International Nickel. The company earned last year $11 a share and is now earning at the rate of over $20 a share per annum. Dividends are being paid at the rate of $4 a share, and since these dividends have been declared for the full year of 1917, there is not likely to be any increase in the regular rate until action is taken on next year's dividend. It seems entirely likely, however, that there will either be an increase in the regular rate or substantial extra dividends next year, barring extremely unfavorable developments. The company is now prospering from conditions brought about by the war, and it cannot be expected to continue its current large earnings after the war is over. However, the company has greatly strengthened its financial and physical condition and has enlarged its markets. Foreign competition will no doubt be encountered again, but it does not seem likely that such competition will have a serious effect on the earnings of the company for at least a year or two after the close of the war. Therefore the present dividend appears to be safe for at least two years to come. The return on the stock at the current price is very attractive.

BONDS AND INVESTMENTS

Accounting an Investor Should Know

(Concluded)

The Matter of Policy in Corporation Accounting—Elements Entering into the Formation of Financial Policy—How the Investor Should Supplement This Series by Further Study

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PART VIII. SOME QUESTIONS OF POLICY

ACCOUNTING is a matter of policy as well as of principle. That is, judgment must be employed to determine under given circumstances, what principles apply and how they are to be applied. Like all good instruments, accounting principles may be purposely, or ignorantly, abused and misapplied. Dishonestly employed, they not merely lose their positive worth, but they assume a negative value which makes them very dangerous in the hands of the unrighteous. There is a "why" as well as a "how" in accounting practice. The "why" is never satisfactorily answered until the rights of all interested parties have been considered.

To be productive, wealth must be supervised; nor is it possible to remove altogether the element of risk inherent in all forms of enterprise. There is a big human factor in business. For this very reason business is subject to manipulation which may be unfavorable as well as favorable in character. Like the modeling clay of the sculptor, wealth submits itself to an endless variety of formations. It is because of this that we speak of the policy of one company as conservative, or another as radical, of another as aggressive, of still another as progressive or unprogressive. What do we mean by these terms?

Too frequently we employ them without any very definite significance and without more than a superficial inspection, or possibly from mere hearsay. More concise and definite thinking is required. The financial policy of a corporation is unavoidably linked up with its accounting policy. Indeed, it is through its accounts that this policy takes definite form. Whether the head accounting officer has a voice in the determination of this policy, or whether he is a "mere bookkeeper" may not be a vital question. The important point to be noted is not the origin of a policy, so long as it is legitimate, but what is the policy? Usually a policy resembles a chemical compound and can be studied best by being split up into its elements. Some of the elements entering into the formation of the financial policy of a corporation and which are reflected in its accounts are:

The attitude toward dividend payments.

The method of meeting current liabilities.

The method of raising additional capital.

The selection of customers and collection of accounts.

Payment of employees.

The funded indebtedness.

Dividends

Some corporations make it their policy to pay annual dividends of a given amount and vary from that policy only in times of extraordinary prosperity or extreme depression. Usually such corporations have their capital stock scattered among a large number of holders

who depend upon it to afford them a permanent and unvarying income. Among such, for example, are the Pennsylvania Railroad Company and the United States Steel Corporation. Before it fell from its high estate the New York, New Haven & Hartford was in this class.

On the other hand there are many concerns that have no crystallized dividend policy, but which act upon the requirements of the occasion. Such companies are hardly for the steady-going investor. Instead of selling bonds or stock to secure additional capital, profits may be retained and invested. In this way the surplus account may be increased until it rivals and possibly surpasses, in size, the capital stock account. Truly, this is conservative policy, yet it is not the kind of policy best suited to the investor who desires to receive his profits as they accrue, rather than in the form of a large stock dividend years later.

The power to pay or withhold a dividend, assuming the existence of profits, is in the hands of the board of directors. Whether or not to declare it is optional with them. Once declared, a dividend becomes the direct obligation of the company and must be paid. Before purchasing the stock of a company the investor should satisfy himself that he has not mistaken its dividend policy. The regular payment of dividends may be assured, probable, possible or improbable. Past history will usually indicate what may be expected of the future.

Current Liabilities

Current liabilities constitute a most vital responsibility. They demand the constant vigilance of the management. Sometimes financial embarrassment occurs from the inability to secure enough cash to meet current liabilities, even though the concern be far from insolvency. This situation is liable to arise when general stringency occurs in the money market, it then being difficult to obtain aid through the hypothecation of other assets.

Sometimes current liabilities are converted into funded liabilities to avoid immediate trouble—a procedure which only too frequently paves the way for future trouble. As a palliative against an extraordinary situation this plan may be justifiable, but as a permanent policy it is to be condemned. By comparing balance sheets for a considerable period of years the tendency of current liabilities to increase may be noted; and if it is considerable the explanation therefor should be sought. The only justification for a permanent increase in current liabilities is a corresponding growth in the volume of business transacted. Without this, the cause may be in over-buying or in the inability to meet obligations falling due.

Raising Additional Capital

The ease with which a corporation can raise additional capital to finance its growing demands is a pretty good index of its general reliability. In recent years some of our embarrassed railroad companies have gone from pillar to post in search of help. Illustrative of this has been the New Haven's problem of finding the means with which to meet certain large obligations falling due May 1, 1917. The solution has taken the form of an issue of short term collateral notes. Strong companies can usually choose what means they wish to encourage the influx of other people's money, but weak ones are driven to extremes to find some suitable form of security. Some of our railroad companies have exhausted their ingenuity and our language in their search for picturesque names for what in plain English ought to be called second, third and fourth mortgage bonds.

A business which cannot readily obtain the additional capital needed to meet the demands of normal growth is at a distinct disadvantage. It will find itself increasingly handicapped as time passes. It becomes sub-normal, and can no longer run on a 100 per cent efficiency basis. Unless the cause of this situation happens to be one which affects all of a given class of industries alike the ill-favored one will be outdistanced by its competitors.

In general, new capital ought to be obtained through the issue of sufficient stocks or bonds to secure the required

amount of money without further resort to temporary bank loans, which, under the circumstances, might be made with difficulty. The history of past financing may be depended upon to throw light upon future prospects.

Customers and Collections

Too much circumspection in the selection of customers is hardly possible, although the importance of this consideration varies greatly in different lines. Where sales of commodities or services are mostly for cash little attention need be given to possible losses from bad debts. Where many sales are made on credit the consideration becomes one of prime importance. An up-to-date concern uses all available facilities to determine credit risks. Employment of mercantile agencies, co-operation with other corporations, and a systematized office practice are among essential features that characterize the work of progressive corporations.

The investor will do well to go beyond the statement of accounts receivable shown in the balance sheet and attempt to learn to what extent worthless or doubtful accounts have been included. Perhaps in some cases this is a well nigh impossible task, and the small investor is apt to recognize it as splendid theory but difficult practice. This is one of the penalties of being an investor, however, to be faced with as much equanimity as can be commanded. If the balance sheet has been certified by a firm of competent public accountants their *visé* may be accepted as a guaranty against occult and disreputable practices.

Payment of Employees

The investor should note the satisfactoriness of the wage system in use. If it is a good one it will be contrived to reward diligence and trustworthiness and to discourage laziness and inefficiency. In the long run no corporation can prosper with a labor force composed of dissatisfied, indifferent or ignorant men. The value of welfare work and educational campaigns has become so firmly implanted in the minds of leading business men that some of our factories and financial institutions have become veritable laboratories of study and experimentation. When on a visit to one of New York City's greatest banks the writer was impressed by the extent to which merit and service are there made the basis for promotions. Managers are now thoroughly convinced that future leaders are best grown in a home soil under surroundings which encourage the display of initiative and force.

Funded Indebtedness

With the aid of the principles that have been discussed in this series, study the funded indebtedness from all standpoints—from that of the capacity of the corporation to bear fixed charges, from that of the mortgage liens that underlie the bonds, from that of future probable requirements for additional capital, from that of the relative size of bonded indebtedness compared with capital stock and surplus, and from the standpoint of legal and technical requirements.

Conclusion

It has been our object to state principles of such general application that they will be found of interest to all. In so far as possible technical expressions have been avoided. Broadly considered, accounting is an inexhaustible subject. If in addition to the actual presentation of matter that has been made, there has been implanted the desire to search further along the paths of financial wisdom a twofold task has been accomplished.

THE END

BOND YIELDS OF THE UNITED STATES GOVERNMENT 3½% 15-30 YEAR "LIBERTY LOAN" WAR BONDS AT SEMI-ANNUAL INTEREST AT PRICES WITHIN TWO POINTS OF PAR ON:

PRICE	3½% STOCK DIVIDEND, YIELD	JUNE 15 1917 MATURING IN 30 YEARS	DEC 15 1917 MATURING IN 29½ YEARS	JUNE 15 1917 MATURING IN 15 YEARS	DEC 15 1917 MATURING IN 14½ YEARS
102	3.431%	3.393%	3.392%	3.330%	3.325%
101⅞	3.436	3.400	3.399	3.340	3.336
101¾	3.440	3.407	3.406	3.350	3.347
101⅝	3.444	3.414	3.413	3.361	3.358
101½	3.448	3.420	3.419	3.372	3.368
101⅜	3.452	3.427	3.426	3.382	3.380
101¼	3.457	3.433	3.432	3.393	3.390
101⅛	3.461	3.440	3.439	3.404	3.401
101	3.465	3.447	3.446	3.414	3.412
100⅞	3.470	3.453	3.452	3.425	3.423
100¾	3.474	3.460	3.459	3.436	3.434
100⅝	3.478	3.466	3.466	3.446	3.445
100½	3.482	3.473	3.472	3.457	3.456
100⅜	3.487	3.480	3.480	3.468	3.467
100¼	3.491	3.486	3.486	3.479	3.478
100⅛	3.496	3.493	3.493	3.489	3.489
100	3.500%	3.500%	3.500%	3.500%	3.500%
99⅞	3.504	3.507	3.507	3.512	3.512
99¾	3.509	3.514	3.514	3.522	3.523
99⅝	3.513	3.521	3.521	3.533	3.534
99½	3.518	3.527	3.528	3.544	3.545
99⅜	3.522	3.534	3.535	3.554	3.556
99¼	3.526	3.541	3.542	3.565	3.567
99⅛	3.531	3.548	3.548	3.576	3.578
99	3.535	3.555	3.555	3.587	3.589
98⅞	3.540	3.561	3.562	3.598	3.600
98¾	3.544	3.568	3.569	3.609	3.612
98⅝	3.549	3.575	3.576	3.620	3.623
98½	3.553	3.582	3.583	3.631	3.634
98⅜	3.558	3.589	3.590	3.642	3.646
98¼	3.562	3.596	3.597	3.653	3.657
98⅛	3.567	3.603	3.604	3.664	3.668
98	3.571%	3.610%	3.611%	3.675%	3.679%

The above table of bond yields gives the investing public some idea of the per cent yield of a 3½%, 15-30 year semi-annual interest bearing bond at prices within two points of par, and also the comparative dividend yield of a 3½% stock at the same prices.

After the first bond issue of two billion dollars has been subscribed, and before the second bond issue is offered for subscription, bonds of this first issue may be resold at prices varying slightly from par. The table of bond yields is given to show clearly the small change in the yield at probable maximum and minimum prices.

Any change in the yield basis will probably not be over 1/10 of 1%, a negligible factor to consider. This, in money, is one mill on every dollar invested, five cents a year on a $50 bond, or ten cents a year on a $100 bond. In case the second bond issue is at a higher rate of interest, the investor of today is protected in being able to exchange his bonds, par for par, for those of the higher rate.

Bond Inquiries

Consolidated Gas of N. Y. 5s

M. S., Newburgh, N. Y.—Consolidated Gas of New York 6% Convertible Gold Debentures have depreciated seriously from their best price of last year, because of the decline of the stock into which they are convertible. The conversion feature provides that they may be converted into capital stock of the company at par February 1, 1918, and on any interest date thereafter prior to February 1, 1920, when they become due and redeemable at par. There is no question about the safety of the face principal and the interest of these bonds, barring something in the nature of a catastrophe for the city of New York. But the question with you is, Will you have an opportunity to convert them into stock before they mature, at substantially above the current market price? If you were sure that you would not have such an opportunity, you would not be warranted in holding the bonds. The Consolidated Gas Co. is now contending with the very greatly increased costs of operation and construction, and if these conditions remain in force for a prolonged period, the stock may very well sell lower. But investors have become unduly alarmed over the company's position. Consolidated Gas is so strong financially that it should be able to continue paying its 7% dividend for a year or two, even if it did not earn it. But within the next three years we may expect peace, which should bring about a change in conditions that would be very favorable to the company. In the first place, peace would mean lower prices for fuel and materials of all kinds; also lower wages, and at least more efficiency in labor. In the second place, it would probably mean a stimulation of the growth of population in New York City. New York's growth in that way has been obstructed since the outbreak of the war because of the fall in immigration.

Finally it is obvious that it would be to the company's advantage to have the bonds converted, and it cannot make conversion and inducement unless it maintains dividends at a rate which makes the stock attractive above $100 a share.

It should prove profitable for you to hold these bonds.

Stephenville, N. & S. Texas Ry. 5s

A. M. S., Miami, Fla.—Stephenville, North & South Texas Railway 1st Mortgage Gold 5s are a direct obligation of the company and secured by a first mortgage on all its property now owned or that may be hereafter acquired, being a direct first lien on 105.18 miles of road from Gatesville to Stephenville and from Edson to Comanche, Tex., which is in effect an extension of the line of the St. Louis Southwestern Railway Co. from Gatesville north and westward. An equal amount of St. Louis Southwestern Railway 1st Terminal & Unifying 5s of 1952 is reserved to retire this issue.

These bonds appear to be well secured on an important division of the St. Louis Southwestern Railway, and are further enhanced in value by the guarantee of principal and interest by the parent company, and they are entitled to a high rating. We recommend that you hold them.

General Gas & Electric 5s

O. W. A., Birmingham, Ala.—General Gas & Electric 10-Year Gold 5s are very speculative. The margin of safety is very slim, and it may be further impaired under present conditions of high operating costs. You should certainly substitute a better grade security for this, for it is doubly undesirable because you already have a number of traction securities. This company is now wholly a traction company, but it controls a large number of traction properties. Perhaps no public utility companies are feeling more seriously the high cost of material and labor, for they are not in a position to raise the price of the only service they can render, transportation.

Nassau Electric Ry. 4s

M. S. W., Baltimore, Md.—Nassau Electric Railway 1st 4s have been depressed recently largely in sympathy with the declines in local traction issues. There is nothing to become alarmed about over this bond. It is secured on valuable street railway properties and is enhanced in value by the guarantee of the Brooklyn Heights R. R. Co. The earnings of the company show a good margin of safety and a good investment rating is justified. If you are holding this security for safety and income only, you would not be justified in sacrificing it now.

Remington Arms Notes

S. W. T., Georgetown, S. C.—Remington Arms notes are speculative and you are undoubtedly assuming a certain amount of risk in holding them, but it seems to us that the current price of these securities discounts so much that is unfavorable that we should deem it ill-advised to sacrifice the notes now. The prospects have improved, owing to the fact that the Remington Co. stands to receive profitable orders from the United States Government.

Exchange

W. H. M., New York City.—It would be to your advantage in the long run to exchange your United Railways & Electric Income bonds into Kansas City Southern preferred. This is a 4% non-cumulative issue, which has paid dividends regularly for the past ten years. The stock is now selling around 53, as compared with its high price of 64⅞ in 1916, 65½ in 1915, 62 in 1914.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Public Utilities	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Rep. Ry. & Lt. com.........	$4	13.3%	.....	.....	.....	.....	1.95	2.97	8.73	30	29.10%	New power lines installed.
Third Ave. Ry. com.........	0	0.0	.....	.....	.....	4.25	3.78	4.19	5.98	21	28.47	Earnings improving.
United Ry. & Lt. com........	4	10.2	.....	.....	.....	4.74	3.74	2.41	8.68	39	22.26	Earnings and business good.
Elec. Bond & Share pfd.....	6	6.0	25.35	35.30	35.00	23.50	22.74	23.30	19.61	100	19.61	Earnings continue above normal.
Am. Pub. Util. com.........	0	0.0	.....	.....	.....	5.85	4.69	3.83	5.35	28	19.10	New plants opened in Minnesota.
Northern States Power com..	7	7.8	.....	.....	.....	3.00	7.40	12.90	16.87	89	18.95	New 7% preferred offered stockholders.
Common. Pr. & Lt. com,....	4	8.3	.....	6.02	6.27	7.44	8.28	7.42	8.80	48	18.33	Severe weather increased operating charges.
Adirondack Elec. P. pfd.....	6	7.8	.....	6.60	5.50	2.50	5.15	11.87	12.27	76	16.14	New properties acquired.
Pacific Gas & Elec..........	5	8.3	9.20	6.09	.....	2.84	7.78	10.48	8.57	60	14.28	1917 net 3 mos. shows decline earnings.
Ohio Cities Gas............	6.25	4.4	.....	.....	.....	.....	.....	.....	19.15	139	13.75	Extra 12½c. dividend.
Am. W. W. & Elec. 1st pfd..	0	0.0	.....	.....	.....	.....	.....	9.57	10.18	75	13.57	New financing plans underway..
Western Union Tel..........	5	5.3	5.60	5.38	4.01	3.24	5.38	10.19	12.50	93	13.44	Recent earnings show increase.
Philadelphia Co. com........	3.50	10.6	3.90	5.30	3.80	3.11	3.03	4.31	4.30	33	13.03	Small amt. additional bonds listed.
Cities Service com...........	6	2.0	.....	8.18	7.01	11.31	14.66	15.27	36.74	290	12.66	Earning at rate of $51.24 on com. stk. Ex. div.
Consol. Gas Balti. com.......	8	7.2	10.09	8.76	13.12	15.27	11.43	11.56	13.89	110	12.62	Earnings increase 18.9% shown in 9 mos.
Brooklyn R. T.	6	9.6	5.58	6.82	8.28	9.17	7.14	7.40	7.53	62	12.14	Declares regular dividend.
North Am. Co..............	5	7.9	6.22	6.23	7.15	7.01	6.41	6.06	7.25	63	11.50	Earnings very good.
Detroit Edison	8	6.6	6.93	8.22	7.84	8.34	10.52	13.68	13.72	120	11.43	April, 1917, earnings show increase.
Laclede Gas com............	7	7.0	10.02	8.52	8.40	8.16	8.20	9.24	11.21	100	11.21	Earnings normal.
Kings Co. Elec. L. & P. com.	8	7.3	10.09	10.24	9.52	9.29	10.85	11.66	11.88	109	10.89	$2,500,000 new bonds listed on 'Change.
Twin City R. T. com.......	6	7.0	7.22	7.25	7.44	8.69	8.05	6.83	9.22	85	10.84	Earnings normal.
So. Cal. Edison.............	7	8.0	3.76	5.75	5.35	7.56	6.07	6.71	9.09	87	10.45	April, 1917, earnings show increase.
Standard Gas & Elec. pfd....	3	8.1	.....	3.85	7.39	3.19	2.63	3.15	3.71	37	10.03	1917 earnings show increase.
American Power & Lt. com..	4	6.0	.....	.....	.....	6.01	5.24	4.21	6.49	66	9.83	Common stk. of Omaha Co. acquired.
Montana Power com........	4	4.0	.....	.....	.....	3.13	2.42	3.73	8.20	100	8.20	Record earnings for 1916.
Public Ser. Corp. N. J. com..	8	6.6	8.80	7.18	8.21	8.99	6.50	7.88	9.82	120	8.18	Capital stk. increased to 50 mil. from 30 mil.
Con. Gas of N. Y. com......	7	6.4	7.17	8.89	8.91	8.50	8.40	9.29	8.67	108	8.02	Increased cost of producing materials.
Am. Tel. & Tel. com........	8	6.5	10.34	10.01	9.86	9.59	9.38	9.52	9.77	122	8.00	New tax will show up expansion.
Am. Light & Trac. com.....	10	3.0	27.63	27.79	26.05	25.09	22.32	24.62	25.66	330	7.77	Year to Mar. 1917, inc. 14.5% over previous yr.
Peoples Gas Lt. & Coke.....	4	5.7	9.01	8.92	7.54	8.25	8.55	8.39	5.39	70	7.70	May benefit by change of ordinance in Chicago.
Mackay Co. com............	6	7.2	4.29	5.05	5.06	5.09	5.25	5.28	5.36	83	6.45	Increase in business.
Mass. Gas com..............	5	5.5	4.11	4.22	4.34	5.20	5.15	5.13	5.53	90	6.14	1917 shows increased earnings.
Columbia Gas & Elec........	4	9.5	.....	.....	.....	0.25	0.59	0.76	2.31	42	5.50	April statement shows excellent earnings.
Pacific Tel. & Tel. com......	0	0.0	0.66	1.03	0.63	1.87	1.89	0.56	1.25	26	4.81	Merged with Tel. Co. in Los Angeles.

Public Utility Notes

American Tel. & Tel.—The $700 additional of this company's stock has been admitted to the list by the Philadelphia Exchange. The N. Y. Stock Exchange has stricken from the list the temporary 30-year 5% collateral trust bonds, due Dec. 1, 1946, and admitted 30-year 5% collateral trust bonds, due Dec. 1, 1946.

Central States Electric Corp.—Gross earnings for March were $548,145, an increase of $106,037. Net income, after expenses and taxes, was $104,193, a decrease of $104,873. Interest charges, etc., were $49,216, an increase of $12,582. Depreciation was $54,815, leaving amount applicable to common dividend of $162. For the three months ended March 31 gross earnings were $1,715,801, an increase of $367,783. After expenses and taxes, net income was $393,367. Interest charges, etc., averaged $141,114, and after depreciation, the amount applicable to common dividends was $80,628. Gross earnings for the year ended March 31, 1917, were $5,-477,521. Expenses and taxes amounted to $3,635,679, leaving net income of $1,841,841. Interest charges, etc., amounted to $495,612. Depreciation was $547,795. The amount applicable to common dividends was $798,434.

Chicago Telephone.—For April the operating income reached $331,514, against $385,224 for the corresponding month in 1916, a decrease of $53,710. The loss in revenue was due to an increase of $239,188 in operating expenses. For the first four months of 1917 the surplus revenues, applicable to dividends on the common stock, were at an annual rate of $71.28 a share, after deductions had been made for the 16% excess profits tax and all other taxes provided for in the war revenue bill now pending in Congress.

Columbia Gas & Electric.—During April gross increased 16.4%, net 14.5% and other income $122,364, or 314%, over 1916. Surplus charges increased $303,575, or 140.6%, over 1916. For the four months ended April 30, 1917, the company showed surplus after charges of $1,479,575, or at the annual rate of 8.87% on the $50,000,000 capital stock, as compared with 2.31% earned in 1916. For the full year 1916 operating ratio stood at 51%, while the four months ended with April, this was reduced to 45.5.%

Commonwealth Power, Ry. & Light.—Owing to the severe weather which has been experienced in Michigan during the 1916-17 winter this company was unable to utilize its water power facilities to the usual degree, and was forced to substitute a larger proportion of steam power at high cost. New hydro-electric facilities in Michigan, with 46,000 horsepower capacity, will be completed within ten or twelve months, and will materially benefit the company when completed.

Consolidated Gas, Light & Power, Baltimore.—Income and expense statement for the nine months ending March 31, as compared with corresponding period of 1916 shows gross income, $6,337,316; net after taxes, $3,011,348; surplus after fixed charges, $1,811,064.

Interborough Consolidated. — Interests strongiy resent repeated insinuations that the corporation is dependent to any extent for its income from New York Rys. Co. They point out that the Interborough Consolidated derives its income from its holdings of Interborough Rapid Transit Co. stock through operation of the subway and elevated, and not from the surface lines.

Interborough Rapid Transit.—N. Y. First Dist. P. S. Comm. approved the award of certain contracts by this company for motor cars and trailers to be used in the new subway. The Pullman Co. gets a contract for car bodies at $4,500 for motor cars and $4,385 for trailers, the total being $2,130,400. The supply of motors and controlled equipment is divided between the Westinghouse Co., which gets a contract for $1,014,646, and the General Electric Co., $1,006,740.

Massachusetts Gas.—Reported combined net earnings for April available for dividends as $481,033, an increase of $210,360, or 77.22%, compared with the corresponding month in 1915.

Montana Power.—Declared a quarterly dividend of 1¼% on the common stock, and the regular quarterly dividend of 1¾% on the preferred, both payable July 2 to stock of record June 15. This places the common stock on a 5% annual basis, compared with 4% heretofore.

Northern States Power.—Offered $1,500,-000 new 7% preferred stock to shareholders at par and accrued dividends.

Ohio Cities Gas.—Surplus after charges of $3,610,834 for the year ended March 31, 1917, is equal to $7.86 a share on the 399,520 shares of common, after allowing 5¼% dividends on the outstanding preferred stock.

Public Service Electric of N. J.—Certificates showing increase in capital stock from $30,000,000 to $50,000,000, par value $100, have been filed by the company, controlled by the Public Service Corp. of N. J.

Puget Sound Traction, Light & Power.—Report, year ended Dec. 31, 1916, shows: Gross earnings, $8,107,372; net earnings, $2,-986,376; surplus after charges and dividends,

Republic Ry. & Light.—Arranged to supply the Republic Iron & Steel Co. with 2,500 kilowatts power within four or five days, to take the place of the 2,500 kilowatts turbine of the Republic Co. destroyed by an explosion on May 20, 1917. The extension to Republic's power house provides ample capacity to take the additional load.

Public Utility Inquiries

Northern States Power

W. S., Norfolk, Va.—Northern States Power is a good public utility preferred stock investment, and we can recommend it, provided it is purchased at this time for income only. You should not buy this stock with the idea that the price may not go lower, for with the prospect that the war will continue for some time longer and that additional Government loans will be offered at progressively higher interest rates, it may be assumed that a further downward readjustment in the prices of high grade investment issues is probable.

Cities Service, Com.

P. A., Louisville, Ky.—Cities Service, despite its large earnings, is speculative. The price reflects the big increase in the earnings of the company, due to its success in oil producing. Various subsidiary companies are now showing enormous profits from petroleum production and refining, but whether or not this will continue is a question. We therefore think that anyone who makes a purchase of the stock now should do so with the full recognition that he is entering on a more or less speculative venture. The possibilities are unquestionably large.

Commonwealth Power, Ry. & Light

A. M. K., Louisville, Ky.—Commonwealth Power, Railway & Light common has declined very largely in sympathy with the general depression in utility issues. The company has, however, shown rather important decreases in earnings due to the effect of higher material and labor costs. Despite this the margin over the common dividend is still fairly satisfactory, and you need have no apprehension as to its being cut, in the immediate future at least. Of course, if the extraordinary conditions under which the public utility companies are laboring are prolonged or aggravated there is danger that a number of them will have to reduce their dividends.

Commonwealth Power, Railway & Light common stock has discounted a great deal that is unfavorable and you would be unwise to sacrifice you holdings now.

Republic Ry. & Light

L. G., Toronto, Canada.—Republic Railway & Light common is selling below the price at which it was quoted when the article by Mr. Fontaine was written, but it is not as low as you state in your letter. The decline was due largely to the unfavorable sentiment in investment and speculative circles regarding the outlook for public utility companies. As pointed out by Mr. Fontaine, the Republic Railway & Light, like practically all other concerns of its kind, is suffering from the increased cost of operation. If prices of materials and labor keep on rising, there is reason to apprehend a reduction in the divdend. However, the stock appears to be selling at a very attractive level.

American Tel. & Tel.

M. C., Athens, Ga.—American Telephone & Telegraph might ordinarily be regarded as an ideal investment stock, but the war situation has injected a new phase into the situation, namely the possibility that the company will come under Government control for the duration of the war. You need not feel alarmed as to the future for the stock unless something unfavorable develops in this direction, and we might say that there is no prospect of such a development in the immediate future at least. You would do well to hold your stock for the present.

Philadelphia Co.

L. R. B., New York City.—Philadelphia Company is a rather attractive speculative investment. The decline in this stock has been due largely to generally unfavorable market conditions as well as to foreign liquidation. Moreover, the stock has been depressed sympathetically as a result of the unfavorable situation in the United Railways Investment Co., which company holds the majority of Philadelphia stock. The Philadelphia Co. is in good condition financially and physically, and there is little reason to fear that it cannot continue the payment of the present 7% dividend.

Utah Securities

W. S., Chicago, Ill.—Utah Securities is to a certain extent attractive at this time as a speculation, but we should hardly recommend the stock as a long pull right now. Will say, however, that the stock has very large possibilities and is worth watching with a view to buying when market conditions are again favorable to long pull investment purchases.

Phila. Electric

M. V., Philadelphia, Pa.—You would do well to dispose of your Philadelphia Electric. The stock is in a strong position, and the dividend is protected by a wide margin of earnings, but the price of the issue is high relative to that of other utility investment stocks. The outlook for the utility issues in general is not good from a market standpoint, and it is quite likely that Philadelphia Electric will sooner or later undergo a readjustment in its price that will bring it down to a parity with the general utility list. You can get out now at a profit and you may have reason to congratulate yourself if you take advantage of the opportunity.

MINING AND OIL

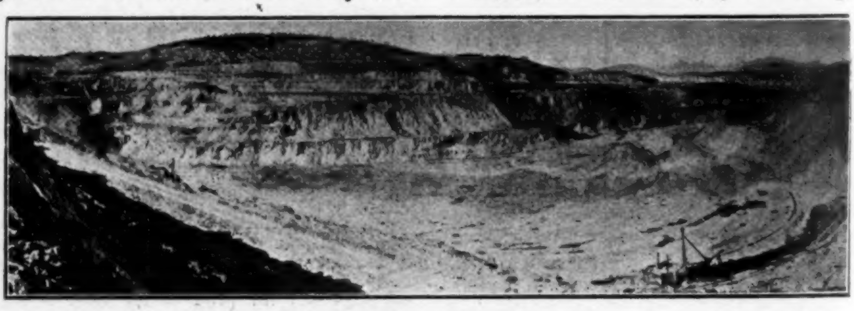
The New Nevada Consolidated

A Liquidating Property Which Fails to Liquidate—Ten Years' New Lease of Life—Prospective Earnings and Market Position of Stock

By ARTHUR CONANT

IN considering Nevada Consolidated one is reminded of the fable of Anteus and Hercules. When the latter met the former in a finish fight, he found to his great discomfiture that every time he threw Anteus to the earth the latter bounded to his feet ten times the stronger. Finally, Hercules, so the ancient tale goes, overcame his adversary by holding him aloft and strangling him in mid-air.

For the last decade statisticians have never failed to qualify their remarks about Nevada Consolidated by pointing out that it was a short-lived property. Yet when each year ended, with one exception, Nevada showed more ore developed than at the beginning of the year. In short, instead of being one year nearer death every twelve months Nevada's longevity increased with age. This mining Anteus improves with the years like old wine, and the only Hercules that could put it to death would be a continued low price for copper of below 8c. a lb., which is Nevada's approximate cost per pound of copper produced.



"Copper Flat" Pit Where Most of

Present Ore Reserves

The writer recalls that a decade ago before Nevada Consolidated ever produced a pound of copper that its life was figured from twelve to fourteen years. Yet on January 1 last Nevada, at the rate of the 1916 production, had a certain life of approximately 17 years in view. Nor are the possibilities of developing further ore on the company's properties by any means exhausted. The graphic which accompanies this article shows how each year's extraction of ore compared with the developed ore bodies at the end of the year. It shows that the chief increase in ore reserves, which total 68,000,000 tons in round figures, has come in the last three years. Since December 31, 1913, Nevada Consolidated's ore reserves have increased nearly 29,000,000 tons, or approximately a ten year's supply at the 1916 rate of output.

If any one should go out and discover a 29,000,000 ton ore body of 1.59 per cent copper it would create a great hullabaloo. But the fact that Nevada has added this amount to its ore reserves has occasioned no widespread attention in the financial district. Such is market psychology.

The new ore tonnage developments

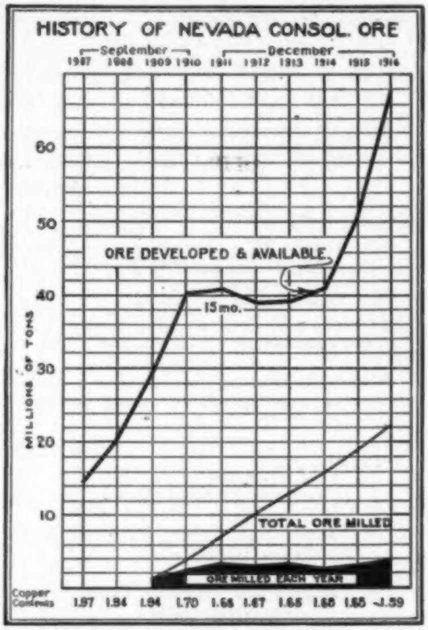
took place principally in the Copper Flat group (see illustration) and were the result of deep churn drilling. In regard to the possibilities of further increases in ore reserves Manager-Director D. C. Jackling stated briefly but pointedly in his annual statement to the stockholders:

"Prospect drilling will be continued during the coming year for the development of further extensions of ore bodies known to exist."

In all probability, however, Nevada has about reached the limit of its important ore developments. During the next few years it may be expected to block out "fringes" of ore which should add several years to the property's life but as things stand now twenty more years of life would be a fair as well as a conservative estimate.

The 1916 Report

Nevada Consolidated's statements to its stockholders might well be used as models for mining company's reports. In addition to the annual report which goes exhaustively into the company's affairs there is issued a statement every three months which summarizes the results for the quarter. In conjunction with this article is printed Nevada's quarterly statement for the three months ended March 31 last. This statement shows that to date Nevada has written off



904,522, have been written down to the extent of $4,401,673 or 41%.

In addition deferred charges for stripping and development totaling $9,884,389 have been reduced to $5,060,067.

Last year Nevada made the best showing in its history, showing $7.51 per share on its outstanding capital against

Nevada's New Ore Was Developed

nearly $8,000,000 in depreciation. Cost of property has been written down $3,332,461 or 54%, in round figures, mine construction and equipment totaling $791,946, has been written down $168,293 or 21% and the milling and smelting plants carried on the books at $9,-

the second best year (1915) of $2.78. Net production of copper in 1916 was 90,735,287 lbs. This year Nevada will probably mill a larger tonnage than last year but owing to the slightly reduced average grade of copper contents in the ore, it is not expected that the company's

1917 output will be greatly in excess of that of last year.

Nevada Consolidated selling at approximately 26 at this writing does not seem to have discounted market-wise its earnings, strong financial position and new lease of life.

On a 30c. copper market, which it seems likely that 1917 will show, and putting Nevada's costs at 9c. a lb. to allow for the generally higher prices on labor and materials now prevailing, Nevada could earn $9,000,000, in round figures or $9 per share on its outstanding capital. This would be in excess of 30% on its present market price.

Since the controlling interest in Nevada Consolidated was acquired by the Utah Copper Co., Nevada has never been a speculative favorite and in the event of a general rise in the copper stocks would probably not move as rapidly as some of the more mercurial copper issues.

NEVADA CONSOLIDATED'S LATEST EARNINGS STATEMENT AND BALANCE SHEET

PROFIT AND LOSS

For Quarter ended March 31st, 1917

Earnings from Mine, Investments and Miscellaneous		$3,238,474.87
Dividend No. 29 and Extra Dividend No. 8		1,999,457.00
Net Surplus for Quarter		$1,239,017.87
Depreciation of Plant and Equipment	$160,445.90	
Ore Extinguishment (Original cost of ore in ground)	56,112.66	216,558.56
Net credit to Earned Surplus		$1,022,459.31
Pounds of copper produced during quarter	18,852,321	

ASSETS

Property:		
Cost of Mines	$6,187,285.49	
Less Ore Extinguishment	3,332,461.41	$2,854,824.08
Mine Construction and Equipment	791,946.87	
Less Depreciation	168,293.70	623,653.17
Milling and Smelting Plants	9,904,522.49	
Less Depreciation	4,101,673.38	5,802,849.11
Investments		2,109,000.00
Deferred Charges:		
Stripping and Development	9,884,389.23	
Less Absorbed in Costs	4,824,321.71	5,060,067.52
Materials		1,197,500.28
Accounts Collectible		1,502,480.14
Deferred Accounts		79,010.37
Metals at Refinery and in Transit		7,707,397.18
Metals at Steptoe		1,330,570.16
Marketable Securities		643,250.00
Cash		3,559,370.72
		$32,469,972.73

LIABILITIES

Capital Stock	$9,997,285.00
Surplus	7,071,850.17
Refining and Delivery (not due)	679,386.22
Accrued Taxes	454,250.12
Accounts Payable (not due)	717,890.04
Nevada Northern Railway Company	160,431.73
Deferred Accounts	12,777.10
Earned Surplus	13,376,102.35
	$32,469,972.73

Mining Notes

Adventure Consolidated. — Report, year ended Dec. 31, 1916, shows cash assets of $38,412, compared with $1,357 Jan. 1, 1916. Receipts for 1916 were $100,037, including $84,628 received from payment of assessments, while expenditures amounted to $61,-625. At first of 1917 year there was $15,371 still due in assessments unpaid. Shipments of rock were begun about the middle of December and are now about 300 tons per day.

Ahmeek.—Reported April production of copper as 2,413,495 pounds, compared with 2,726,889 pounds, the preceding month.

Alaska Gold.—Announced the acquisition of the Anvil Sunrise Mining Co., at Nome. It was stated that another large mining property at Nome would soon be taken over Has also announced the taking over of the Colorado & Cape Nome Mining Co. properties. The latter company's gravels at Cape Nome have a production record of $300,000, with meagre equipment. The Alaska Gold Mines properties now embrace between 2,400 and 2,500 acres, with an estimated gold content between $145,000,000 and $150,000,000.

Allouez.—Reported April production of copper as 771,253 pounds, compared with 790,724 pounds the previous month.

Anaconda.—A great body of copper ore, the richest in all the mines of the Anaconda Copper Mining Co. in Montana, and valued at millions of dollars, has been removed from the available ore reserves of the company for the time being and may possibly never be reopened. This body of ore has been hermetically sealed up within the confines of what is known as the fire zone of the Tramway, Leonard and West Colusa mines. Large concrete bulkheads have been constructed reaching from the surface down to the 2,200-foot level, shutting off communication and air from this great district from which in the past few months thousands of tons of ore per day had been taken. The actual cost of the fire to the Anaconda company no one has been able to estimate. In property loss it far exceeds any fire of its kind in any mining district in the United States.

Boston & Montana.—Railroad work from Divide to Elkhorn on the Montana Southern Ry. is being pushed. Development work at the properties of the company continues favorable. Three faces are being driven, one on the Idanah, one on the Aspen and one toward the Park vein. All are on the 1,000-foot level.

Butte Copper & Zinc.—Drifting is progressing easterly on the 1,000-foot level of the Emma property of this company, with the breast showing an improvement in the grade of the zinc-silver ore as the drift is going ahead. The large shoot of ore on the 800-foot level lies east of the shaft, and for this zone the drift on the 1,000-foot level is headed. On the 800-foot level the ore shoot shows a maximum width of more than 60 feet, all of it high-grade zinc.

Calumet & Arizona.—Declared a quarterly dividend of $2 and an extra of $1, payable June 18 to stock of record June 1.

Calumet & Hecla.—Reported April production of copper as 6,855,514 pounds, compared with 7,306,144 pounds previous month.

Chief Consolidated.—Report, first quarter 1917, shows ore sales amounting to $451,611 from 19,566 tons of ore; development amounting to 5,031 feet done, part at Plutus and part at Pinon Peak. Work of enlarging shaft being carried on from 1,000- to 1,800-foot level. Dividends of $44,201 were paid.

Chino.—Reported April production as 6,-368,874 pounds of copper, compared with 6,200,851 in March and 6,572,106 in February, 1917.

Consolidated Coppermines.—Is shipping four cars of concentrates weekly from its 500-ton oil-flotation concentrator at Riepetown, close to the Nevada Consolidated Copper Co. smelter at McGill. Formerly the crude porphyry ore was shipped to McGill for both concentrating and smelting, and there was a freight rate of 25 cents per ton, exclusive of treatment charge for concentrating and smelting. By concentrating the ore near mines and shipping the concentrates instead of low-grade ore the saving in freight is almost a cent per pound of copper.

Consolidated Nevada-Utah.—For the third time has postponed the special meeting authorized to issue $1,200,000 preferred to retire $900,000 of 6% mortgage bonds. It has been impossible to obtain a quorum. The latest postponement was from May 16 to June 16.

Domes Mines.—Fear has been expressed that this company may have to discontinue dividends. The scarcity of labor is having a serious effect on operations, preventing the getting out of sufficient high grade ore to keep mill operations at a profitable level. The mill may be closed down temporarily and attention centered on development work.

Greene Cananea.—The 1916 net income of $6,908,492 is equivalent to $6.91 a share on 1,000,000 shares of capital stock, against $1.36 a share earned in 1915. Combined balance sheet of this company and the Greene Consolidated Copper Co., as of Dec. 31, 1916, shows a profit and loss surplus of $8,899,492, compared with $5,490,979 Dec. 31, 1915.

Hollinger Gold Mines.—Balance sheet, as April 22, 1917, shows current assets of $396,-302, as against $364,887; gold assets as $426,148, against $569,176. Current liabilities consist of accounts payable $426,305, and

unpaid wages $47,055. Owing to the payment of the dividend, which comes every eight weeks, the deficit shown has increased to $174,184, but the net statement should show this amount almost cleared off.

Inspiration Consolidated.—Has set up a reserve for meeting the extraordinary charges pending in the form of an excess profits tax. For the first quarter of 1917, it is understood, this was on the basis of an 8% tax, but this will have to be increased should the measure as put upon the statute books call for a greater levy.

Iron Cap Copper.—Declared the regular semi-annual dividends of 35 cents a share on the preferred and common dividends and an extra dividend of 65 cents a share on the common, all payable July 2. Books close June 15 and reopen June 23.

Isle Royale.—Reported output for April as 1,310,000 pounds, compared with 1,210,000 pounds the previous month.

Jerome Verde.—Drilling has demonstrated that Jerome Verde has at least two and a half feet of glance that runs 26% to 32% copper. While this is good, still better is the indication that this merely is a stringer from a great ore lens, such as that struck in its neighbor, the Extension.

Jim Butler Tonopah.—April net profit from 2,685 tons produced was $48,590. This is a considerable increase over the figures for the preceding months of 1917 which, respectively, were: January, 4,108 tons; profit, $28,036. February, 3,410 tons; profit, $28,781. March, about 3,400 tons; profit, $41,413.

Kerr Lake.—The June, 1917, payment will bring to $7,020,000 total dividends paid since 1905 by the Kerr Lake Mining Co. This amounts to 234% on the $3,000,000 capital, 600,000 shares, par $5.

La Salle Copper.—This company, May 17, 1917, reported April production of copper as 247,411 pounds, compared with 160,410 pounds the previous month.

Miami.—In its flotation operations handled during April the greatest amount of feed with resultant highest tonnage of concentrates since it commenced to make monthly returns on that part of the business. The value of the concentrates, amounting to $338,378, was, with one exception, the highest on its record.

Miami Zinc Mines, Boston.—O. J. McConnell, of Miami, Okla., has sold almost his entire holdings in the Miami field for $700,000 to this newly organized company. Among the properties which changed hands are the famous Picher-Netta Mine at Picher, and the Picher Crawfish tract. They total 200 acres. The combined output of the five operating mines on these tracts is over 2,000,000 pounds a week.

Mines Co. of America.—Consolidated balance sheet, as of Dec. 31, 1916, of this and subsidiary companies shows a profit and loss surplus of $1,155,154, compared with $1,328,573 Dec. 31, 1915.

New Arcadian Copper.—A raise has been started from the 1,500-foot level of the long drift on the New Arcadian property and was going up through rich rock. During the first half of May the New Arcadian sent 57 cars of rock to the Franklin mill, all of which ran from 26 to 30 pounds of mineral to the ton. It is believed that the copper recovery will approach 20 pounds. Sinking is to be resumed as soon as the new compressor is in place.

Nevada Consolidated.—Reported April production of copper as 6,727,192 pounds, compared with 6,864,675 in March and 5,708,214 in February, 1917.

Nipissing Mines.—Report, April, 1917, states that during the month the company mined ore of an estimated value of $259,082, and shipped bullion from Nipissing and customs ore, of an estimated net value of $515,719.

North Butte.—April production of this company totaled 1,911,763 pounds of copper, 94,769 ounces of silver and 123 ounces of gold. Production of copper was 600,000 pounds less than March, the falling off being due to closing down of mines on account of High Ore mine fire.

Osceola Consolidated.—Reported April production of copper as 1,516,569 pounds, compared with 1,553,218 the previous month.

Ray Consolidated.—Reported April production of copper as 7,902,724 pounds, compared with 8,006,843 in March and 7,177,898 in February, 1917.

Superior Copper.—Reported April production of copper as 143,614 pounds, compared with 209,960 the previous month.

Tamarack.—Reported April production of copper as 478,510 pounds, compared with 550,403 pounds the preceding month.

Tonopah Extension.—Balance sheet, as of March 31, 1917, shows a profit and loss surplus of $810,512, compared with $839,612 March 31, 1916. Total income of $673,394 for the year ended March 31 is equivalent to 52 cents a share earned on 1,282,801 shares of capital stock of $1 par value, against 45 cents a share earned in preceding year on 1,272,801 shares of stock.

Utah Copper.—Reported April production as 17,231,512 pounds, compared with 15,512,676 pounds in March and 13,459,829 in February, 1917.

White Pine Copper.—Reported April production of copper as 453,261 pounds, compared with 268,274 the preceding month.

Mining Inquiries

Greene-Cananea

T. G. E., Camden, N. J.—Greene-Cananea is not unattractive as a speculation, but we hardly feel justified in recommending the stock for a long pull. The copper metal market is showing renewed strength and the situation from this standpoint and from a general standpoint is undoubtedly favorable to all the copper producers. Marketwise, however, the outlook is for somewhat of a reaction in the copper stocks in sympathy with a general reaction in the market. Following a good reaction, we are looking for a resumption of the bull movement and we can recommend that you watch Greene-Cananea or some of the other copper stocks, like Anaconda, Chino, and Inspiration with the idea of purchasing for speculative profits.

Hecla

T. B., Denver, Colo.—Hecla Mining around 8½ is selling on a somewhat speculative level. As a speculation, the stock has attractive features, for there is the possibility that the dividend rate will be increased. The return on the basis of the present dividend payment is very liberal. We can recommend the purchase of this stock provided you are willing to assume a certain amount of speculative risk.

Nipissing

R. L. B. Coytesville, N. J.—Nipissing cannot be termed a "safe" investment, for it is a mining stock. No mining stocks are absolutely safe. They are practically all speculative. As a speculation, however, Nipissing has good possibilities. Its properties are located in the Cobalt District of Canada and they are the best silver mining properties in the district. They are old, however, and all of the best grade ore has been taken out, but there are still large reserves of low grade ore which can be profitably mined on present high silver metal prices. The prospects are that Nipissing will continue to earn good money and pay liberal dividends for some years to come.

Granby Consolidated

W. H. H., New Dorp, S. I.—Granby Consolidated is another excellent speculation. This stock sold as high as 120 in 1916. On February 1 the regular quarterly dividend was increased to $2.50 a share, establishing the stock on a regular annual basis of $10 a share. Granby earned in the fiscal year ended June 30, 1916, about $25.50 a share. The company should have no difficulty in maintaining the current dividend for some time to come since it is fortified with a large surplus, has a big working capital and its earnings are now running at the estimated rate of over $40.

Calumet & Arizona

E. R. N., Peekskill, N. Y.—Calumet & Arizona sold as high as 101 last year and as low as 66. The company is paying regular dividends at the rate of $8 per share per annum with extras of $1 a share quarterly. For the year ended December 31, 1916, Calumet & Arizona Mining Co. and subsidiaries reported a total income of $20,587,941, compared with $11,683,724 in 1915. The earnings available for the stock last year were $11,156,836 compared with $5,458,129 in 1915. Dividends paid totaled $5,777,296, or $9 a share, compared with $3.25 a share paid in 1915. In the two years the company carried to surplus nearly $9,000,000 after paying dividends of over $7,500,000. In the last eight years aggregate net profits available for dividends were nearly $30,000,000, or over $3,500,000 annually. The dividend payments have averaged $4.56 per annum. The stock has excellent speculative possibilities now that market conditions are so favorable for a continuation of the advancing movement. Reactions, of course, must be expected from time to time, but it is not unreasonable to expect that the stock will again approach or exceed its former high record price.

Mother Lode

W. H. M., Chicago, Ill.—Mother Lode has a property of considerable merit. The property promises to develop into a good one and a money-maker, but the chances are that it will be a pretty long time before it is put on a substantial earning basis, as there is so much development work to be done. By that time copper metal prices may again be low and the industry in a state of depression such as is usually accompanied by very low prices for copper stocks generally.

Chino

T. B. S., Scranton, Pa.—Chino Copper is certainly selling low on the basis of its earnings and dividends. It is impossible, however, to forecast definitely whether or not the stock may again sell below 50. You must remember that Chino's earnings are unprecedented, due to the extraordinary condition of prosperity which has prevailed in the copper industry. Sooner or later there is bound to be a change, and this will bring about a drop in Chino's earnings and very likely a reduction in the dividend. Under normal conditions heretofore the stock has sold much below $50 a share. In 1913 it got down to 30⅜, in 1914 to 31⅛, in 1915 to 32¾, in 1916 to 46⅛ and in February, 1917, the stock sold at 48⅛. Aside from the probabilities that the stock will sell below 50 in the next period of depression for the copper industry is the ever present possibility that there may be sudden unexpected developments in the war situation to cause a sharp, possibly prolonged decline in the general market. Under the circumstances, Chino must be regarded as selling on a speculative level.

Oil Notes

Anglo American.—Advance in the prices of shares is accompanied by reports that directors at their meeting next month will declare an extra distribution of some sort.

Continental Refining.—Profits from operations, for four months ended April 30, equal: Gross, $119,405; net, $92,210. Expenditures include: Construction and tank cars, $34,779; drilling cases and oil well supplies, $18,809; leases, $6,314; pipe line, $3,558.

Mexican Petroleum.—Gross earnings for the first quarter of 1917 were $3,490,905, of which amount $2,226,261 is net. Gross earnings in 1916 were $9,668,463 and net earnings were $7,153,059.

Merritt Oil.—Completed its first well in the Big Muddy field, reaching oil in large volume at a depth of about 2,600 feet.

Ohio Oil.—Declared a regular quarterly dividend of $1.25 a share and an extra of $4.75 a share, payable June 20 to stock of record May 26. These are the same dividends as were paid in the previous quarter.

Oklahoma Producing & Refining.—Report, quarter ended March 31, 1917, shows net earnings of $456,747, or an annual rate of $1,826,988, equivalent to 36.5% on the $5,000,000 capital stock. The company is paying dividends at the rate of 10% per annum. The quarter's deduction for dividends of 2½% was $125,000, leaving surplus earnings of $331,000 for the quarter. Premium realized from sale of additional stock amounted to $1,097,548, and the cash balance on hand Jan. 1, 1917, was $151,177. After deducting dividends for the quarter, therefore, the surplus was equal to over 30% on the capital stock. Has brought in another well on the Osage-Hominy lease, which is flowing at the rate of 350 barrels a day.

Penn-Wyoming.—Declared an initial quarterly dividend of 5%, payable Aug. 1.

Pierce Oil.—Annual statements show that during the fiscal year to Dec. 31, 1916, realized, after all expenses and after deduction of normal depreciation charges, net profits of $3,299,856, against $1,555,457 in 1915. This is an increase of $1,744,399, or a gain of no less than 112%. Interest payments amounted to $796,871, including discounts. In addition there was $51,908 charged out for wells abandoned. The final balance, after every fixed charge and depreciation, was $2,451,075 for the two companies. This compares with $649,493 in 1915, a gain of $1,801,582, or 277%.

Pittsburgh Oil & Gas.—The new 400,000 shares of this company, par $5, have been listed by the Pittsburgh Exchange.

Sapulpa Refining.—Is handling 7,500 barrels of oil daily at its Sapulpa plant. When extensions are completed the capacity will be in excess of 9,000 barrels a day. The extensions include installation of the latest refining systems and a casing-head gas plant.

Sinclair.—Company's net earnings stand a good chance of being increased $1,500,000, or $2,000,000 yearly, by casing-head gasoline plants under construction, the exact amount depending on price of gasoline. One unit of the first five plants being built is in operation, and said to be producing about 1,000 gallons daily. Total capacity of gas plants will be approximately 38,000 gallons daily. These plants do not represent a large investment, and will result in a saving of from $1.50 to $2 for each share of Sinclair Oil & Refining Co. stock. Consolidated balance sheet, as of March 31, 1917, shows a profit and loss surplus of $5,998,229, compared with $51,714,426 Jan. 31, 1917. Of the latter sum $51,566,689 represents excess value of assets over declared capital and earnings since organization. The balance represents surplus from income.

Standard of N. Y.—Advanced the price of gasoline two cents a gallon.

Standard of Ohio.—Declared the regular quarterly dividend of $3 a share and an extra of $1, both payable July 2 to stock of record June 1.

United Western.—The Boston Daily Advertiser said that this company is nearing the dividend stage, as shown by the recent statement of the president, revealing earnings equal to 2% monthly on the outstanding stock. The company is operating four wells on its California property, three of which are producing 800 barrels per week, which is sold, on the property, to the Standard.

Vacuum.—The first annual report of this company for the period ending April 30 shows its total revenue as $12,020, of which $8,920 came from oil sales, $2,261 from Government duty and $300 from gas sales. Some $530 oil is reported on hand. Field work expenses took $10,651, and administration expenses, $6,929, a total of $17,530, the deficit of $5,559 being transferred to development account. The company's balance sheet shows $10,953 cash on hand, $1,686 due for oil on hand and $157,790 stock in the treasury.

Ventura Consolidated.—Report, year ended Dec. 31, 1916, shows consolidated profit and loss account of the parent and subsidiary companies as follows: Gross profit from oil production, $448,951; total income from operations, $589,830; operating net, $531,051; net profit, $311,636; net profits carried to surplus, $281,220. The total production of crude oil for 1916 was 557,989 barrels, an increase of 44,169 over preceding year. The company has 13 new wells being drilled. The wells produced in 1916 an average of 1,528 barrels per day.

Oil Inquiries

Pierce Oil

M. M., Englewood, N. J.—Pierce Oil has been stimulated recently by the announcement that favorable legislation has been passed in the State of Texas which will open the way for the company to absorb the Pierce-Fordyce Oil Association, virtually one of its subsidiary companies, which heretofore has been operated as a separate company, pending the obtaining of permission from the State of Texas to take it into the Pierce Oil Corporation. The Pierce-Fordyce Oil Association has made a very gratifying showing in the last two years, and its absorption by the Pierce Oil Corporation should prove beneficial to the latter. As far as the Pierce Oil Corporation proper is concerned, it is not in a very strong position. The company has large interests in Mexico from which it has realized little in the past few years on account of the disturbed conditions in the southern republic.

While a consolidation of the Pierce Oil Corporation and the Pierce-Fordyce Oil Association should strengthen the entire organization, it will depend upon how much of an increase is made in the outstanding capital of the Pierce Oil Corporation in affecting the merger; as to how favorable or unfavorable the effect will be on the price of the stock of the latter company. That is the crux of the whole situation, and it is impossible to gage the position of the Pierce Oil stock or to determine how it will be affected until the terms of the suggested merger are made known. We do not recommend a purchase.

Federal Oil

H. S., Bridgeport, Conn.—Federal Oil is speculative and we consider it a rather risky purchase, although there is a possibility that the stock may sell much higher. The company owns leases in the Kentucky fields which have produced very satisfactory results recently, and great hopes are held out for the further development of these leases, as well as property which the company owns in Texas and Mexico.

Oklahoma Producing

C. H. T., Bethayres, Pa.—Oklahoma Producing & Refining was originally listed on the New York Curb market early last summer. It sold as low as 5⅜ and as high as 13⅝ in 1916. Its high this year has been 14⅛ in January. The company controls 51% of the stock in the Osage-Hominy Co., besides operating some very good producing leases of its own in Oklahoma. Dividends are paid at the rate of 2½% quarterly, with extras. The stock has considerable to recommend it as a speculation, but we do not favor its purchase either as a speculation or an investment at this time because the oil industry has reached a stage of inflation. It is unwise to buy practically any of the new oil stocks under the circumstances.

Your question as to the maximum price of the Standard Oil stocks you name for permanent investments is one that we cannot venture to answer. Suffice it to say that we do not recommend the purchase of practically any of these securities for permanent investment now because we think it entirely likely that it may be purchased at materially lower prices later on.

Anglo-American

B. D. S., Lima, Ohio.—Anglo-American Oil has experienced a rather sharp upward movement in the past few days on rumors that the company is to increase the semi-annual dividend payment in July. There is no official verification whatever for the rumor, however, and since this rumer is one that has been consistently resurrected every year for the last three or four, we are inclined to be skeptical as to the basis for it.

Anglo-American Oil is undoubtedly a substantial company and one that should have a great growth in years to come. Just now, however, under war conditions, it is doubtful if the company would deem it advisable to increase its dividend rate. The attitude of the officials is likely to be conservative because of the uncertainties of the war's duration and because the profits of the company are restricted by the operation of the excess profits tax, as well as by the governmental control of part of its business. For instance, the Government has commandeered a large number of the tankers belonging to the company.

The Anglo-American Oil Co. now is restricted in its operations to the British Isles. Before the war started it was obtaining business from markets in continental Europe, but under war conditions these markets are not open to it, and it is quite possible that the company will not recover its former status in such markets for some time after the war is over. Furthermore, the aftermath of the war is likely to be reflected in a contraction of its purely domestic business.

Mexican Petroleum

W. P., Salem, Ohio.—Mexican Petroleum is very speculative, but the stock promises to go higher in the near future on a speculative move. We would hardly suggest the purchase of this stock at the present time, for it has already had a sharp advance and should react. We cannot recommend it as an investment. If you are a holder of the stock we suggest that you protect yourself by placing a stop loss order so that the risk will be limited to a loss of three to five points. Thus you will be in a position to take advantage of any further speculative upturn.

TOPICS FOR TRADERS

The Market Returns to Normal

After a Period of Eccentric Movements the Market Again Follows the Usual Course

BY THOMAS L. SEXSMITH

IN the light of past market history a normal market is one which produces reactions with regularity. However, normal markets in this sense are rarities. There is enough deviation to nearly all market movements to give each new movement an individuality of its own. In other words, no two moves are exactly alike. There is always enough difference to make each new movement of interest in itself, and to stimulate study on the part of the intelligent operator.

Yet, in spite of this difference, which is always present in a more or less perplexing degree, often certain points of similarity appear in different movements which justify the designation of such movements as normal.

"The Slant of the Long Move"

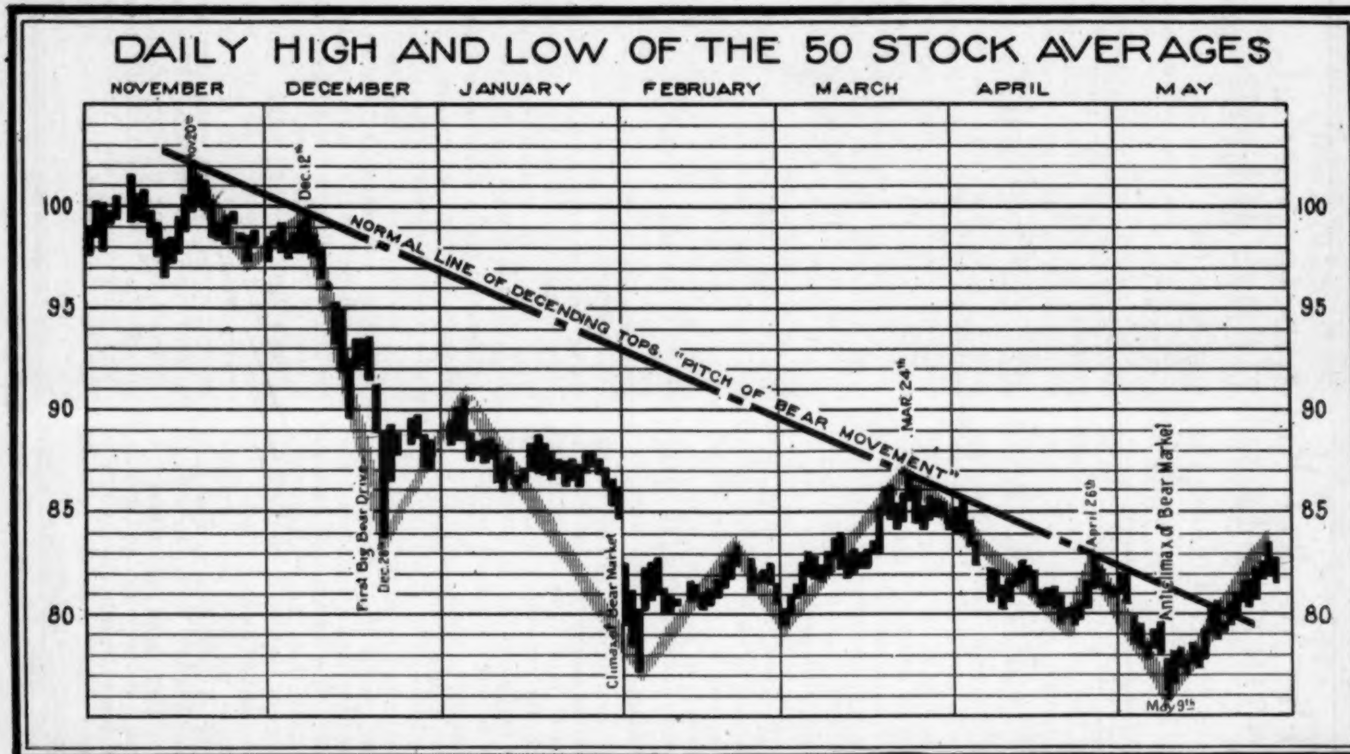
Among the peculiarities of normal markets is the tendency of reactions to rally up or to work down to an oblique line which theoretically extends from the top or bottom to the extreme bottom or top in a long movement occupying months and even years. This line refers, of course, to a graphic which would show the movement in pictorial form.

It is maintained by experienced students of the market that once the main trend or oblique line is established, barring accident, the market will continue to work along that line or trend until the movement spends itself. The premise is, in the main, correct. The appearance of the so-called "accident" accounts for the abnormal in the otherwise normal market. That movements which are interrupted and altered in their normal development by extraordinary influences, eventually return to their normal course, once the influence of the unusual circumstances is overcome, is also true.

An illustration of this point is furnished by the bear market which began in November of last year and which, apparently, ended on May ninth of the present year. The familiar 50 stock averages made their high for the bull movement of 1916 on November twentieth, the extreme high figures on that day being 101.51. The first reaction, thereafter, continued for eight days, then seven days of rally followed to within about two and one-half points of the former high. From the top of this rally a further decline set in. Now, if we take a graphic which would show the above movement and draw an oblique line connecting the top or high point in November with the high point of the succeeding rally, and if this line were to be extended on the graphic so as to cover the whole period over which was plotted the subsequent action of the market for the next six months, it will be seen that this oblique line established the normal slant of descending tops for the long bear market which followed.

Market Finally Returns to Line

Very soon after the beginning of the bear move, however, some extraordinary developments took place, with the result that two exceedingly sharp declines followed within a few weeks of each other, ending in the utter demoralization of early February. It was not until weeks later, the latter part of March, that the market was able to recover sufficiently to return to its normal expression, and it has since that time adhered strictly to regularity. The first important breaking through on the up side of the "line of descending tops," which came during the May "Spring Rise," evidently marked the end of the bear market and the beginning of another considerable up swing.



After abruptly departing, in early December, from a previously established line of declining tops, the market recovered sufficiently from the two successive shocks to return to normal by rallying up to the line in the latter part of March and again in April, each time backing away from the line and thus continuing the bear market. The shaded line indicates the important intermediate price swings.

The Move in Ray and Nevada Consol.

How the Daily Price Graphic Showed It

By HOYT FORD

MOST of the discussions covering price movements in stocks have, I believe, been based on an average of certain groups of stocks. As for instance, twenty rails or twelve industrials. While no doubt such discussions are helpful to professional traders and perhaps some investors, yet it has occurred to the writer that for the speculative investor, studies in individual stocks might be of more assistance.

Personally I have found that when one actually comes to risking his money in the market, the selection of the particular stock was the most difficult feature of the enterprise.

This particular discussion should be found of more value to the investor for profit than to the active trader, and if anyone can derive any helpful suggestions I will feel well repaid for the time spent in bringing it to the attention of that class of readers of the MAGAZINE OF WALL STREET.

Buying Time Also Indicated

About the middle of July and extending into August of last year, a block chart on individual copper stocks (particularly the low priced issues) showed a very narrow range of price and comparatively small volume of trade. It was during this period that the careful investor had his opportunity presented for some excellent investments and good prospects of market profits.

At the time mentioned, Ray Consolidated was selling at about $23 to $24 per share, and Nevada Consolidated from $17 to $18 per share. A study into the earning capacity, as denoted by pounds of copper being produced per month, together with the selling price of the metal, outlook for the future, and comparatively low costs per pound, would have revealed to the intending purchaser, that, allowing for adverse conditions, these stocks were undervalued.

How the Block Chart Showed Selling Time in Coppers

Ray Consolidated was, at the time, scarcely more than eight points above the low price reached in the panic of 1914, and production was just coming up to the point anticipated by the backers of the undertaking. Therefore, while there is always some risk in buying stocks, the odds in this case seemed to be in favor of an advance in values, and if not, one was not risking very much, judging from previous low prices.

Very nearly the same condition obtained as to Nevada Consolidated except that possibly this may have been a trifle nearer the price ruling when the war panic of 1914 closed the Stock Exchange.

These facts should have been ample for the investor or long pull trader, to justify his taking a position on the long side of these stocks for at least a goodly share of his free capital.

Trading Changes Character

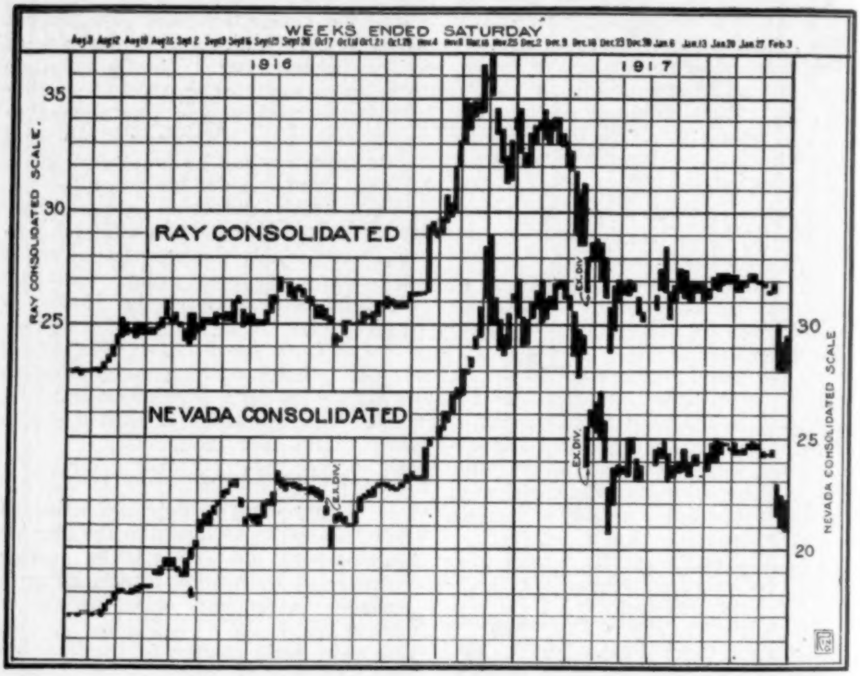
It is interesting to note the action of these two stocks as shown in the graphic accompanying this article. The narrow character of the trading continued on a gradually ascending scale for three months until about November 1 and with very little change to speak of up until the third Saturday in November. At this point (and for the following three weeks in fact) it would seem that even the very inexperienced investor should have seen that a marked change in the character of the trading was taking place. This change, coming after four months of practically continuous advancing prices, was ample warning that a new movement was pending, or at least a change was to be expected, and as the movement (on which the original commitment had been based) was up, what could be more natural than to believe that selling time in coppers had arrived?

Advantage of the Graphic

Of course it would have been necessary for him to have kept a Block Chart of the stocks named, or had access to one. But if he was giving due attention to his investment, he would have recognized the change which marked the turn-

ing point. While I do not wish to convey the impression that charts tell coming market movements, yet it is very doubtful if anyone could have carried the relative position and the character of trading in any other way, or to such good advantage as given by the graphic which illustrates this study.

The events which followed amply verified the correctness of our conclusions in regards to the selling time, and while it took approximately 5 months to realize profits on the trade, I believe that their size was well worth waiting for.



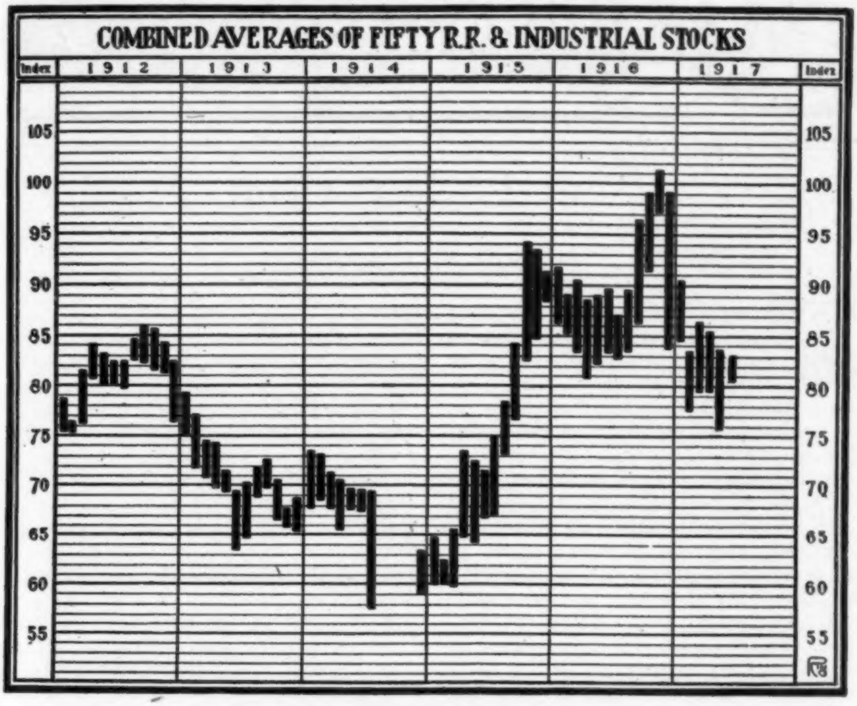
WAR LOANS VS. POPULATION

When the United States Government asked for $200,000,000 in 3 per cent. bonds in 1898 to carry on the Spanish war, it received subscriptions of more than $1,500,000,000, from 320,226 applicants. Amount of individual deposits in all banks, national, State, savings, private banks, loan and trust companies, was then about $6,000,000,000. Population was about 76,000,000.

Now Government is to ask subscriptions to a loan of $5,000,000,000 at 3½ per cent. Aggregate individual deposits in all the banks of the country are $23,000,000,000. Present population is estimated at 103,500,000.

With bank deposits nearly four times as large as in 1898, and with 27,000,000 more persons, infinitely more prosperous than then, it would seem that the Government should have no difficulty in floating a $5,000,000,000 war loan.

Market Averages



MARKET STATISTICS

		Dow Jones Avgs. 20 Inds.	Dow Jones Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No. Issues.)
Monday,	May 21.......	93.47	93.21	80.45	79.45	906,900	202
Tuesday,	" 22.......	94.09	94.18	81.03	79.87	947,300	216
Wednesday,	" 23.......	94.26	94.11	81.57	80.45	1,260,200	221
Thursday,	" 24.......	95.20	94.30	81.59	80.36	1,091,300	208
Friday,	" 25.......	96.76	93.88	82.38	80.65	1,609,600	236
Saturday,	" 26.......	97.58	94.01	82.66	81.88	848,900	196
Monday,	" 28.......	97.20	95.15	83.45	81.97	1,285,600	226
Tuesday,	" 29.......	97.41	95.20	82.95	81.65	986,300	211
Wednesday,	" 30.......		STOCK	EXCHANGE	CLOSED	(DECORATION	DAY)
Thursday,	" 31.......	97.38	95.20	83.78	82.55	1,352,300	220
Friday,	June 1.......	97.89	94.84	83.12	81.63	1,204,200	194
Saturday,	" 2.......	97.59	93.78	83.06	82.01	476,200	179

New Cotton Crop

By RICHARD S. SLATER

THE action of the cotton market upon the first government's condition report was proof positive of the correctness of the prediction made in this column that this year the government reports would have but little influence upon prices. The government asserted that on May 25 the condition of the growing crop was represented by the percentage figure of 69.5. This was lower than even the bulls had expected, and could not be taken to mean anything else than that the crop has an abnormally poor start. A year ago the condition on the same day was placed at 77.5, and this represented but a poor start for the crop. Instead of advancing when the government figures were made public the market at first declined, largely because of the fact that just about this time the government report was made public rumors were circulated of German submarine activity on this side of the Atlantic. Without a thought as to whether or not these rumors were correct, the mind of the market was diverted at once from the government condition figures. Then when the effect of the rumor had died away, the market took stock in conditions and advanced.

There are some broad market principles which must be reckoned with even in exceptional times, however, and one is that when a market is over-bought it must decline; and when it is over-sold it must advance. Nothing can change this. After the close of the Chicago market for operations in the near positions in grain, western speculators became buyers of cotton contracts and there was a forced advance for this reason that invited a decline no matter how bullish were the underlying conditions of the market. Whether the market goes very much higher or very much lower under the pressure of war conditions, fluctuations must result from an over-sold or over-bought condition, just the same as they would if the controlling influence was the size of the crop.

The Americanizing of the war, when the world begins to realize what this will mean, will be the use of men and resources in a vast American way. There is but little probability that five hundred thousand or a million or even two million men will represent what we will send abroad in the no distant future. America will probably organize for the placing of five million soldiers in Europe within the next two years, and when things are considered in this big light it cannot but mean that cotton consumption is going to reach proportions that, under old fashioned ways of thought, would have been considered impossible. Up to this time, we have been taking a European view of everything—and as food is the great question on the other side, all our cry has been for more foodstuffs. It is very probable, however, that before we are a year older we will have found that it would have been good policy for this country to have planted at least ten million more acres in cotton. The world is going on a different ration and will readily adapt itself to that condition of affairs, but cotton is a war necessity, and if it should happen that the South should not produce more than eleven million bales, which is very probable, if the late season should be unfavorable, we might wake up to the fact that there has been a tremendous under-production of a very essential factor in war materials. There seems to

be every reason to believe that the United States will have as many men in uniform in proportion to its population as any European nation before the war is concluded, and these men will have to be clothed largely with cotton. Uniforms for five million men, requiring at least four uniforms a year, would represent as one item something that could not be met by a small cotton crop. American mills will undoubtedly be pushed to the limit of their producing capacity as long as the war lasts, and as the demand will change from light to heavy goods, this will mean a wonderful increase in their raw cotton requirements.

Speculatively there is no attempt being made to take advantage of the situation, and the cotton exchanges of this country have been steered with better judgment, perhaps, than has been shown in many other lines. As a result of this fact, there is no friction between the government and the exchanges, and there is no chance of any such friction being created by the politicians. The character of trading is better than it has been since there have been dealings in future contracts, in that the law of supply and demand is being more closely followed and that in spite of the fact that the market at times receives the support of outside investors, a great percentage of the business comes from people actually engaged in the cotton trade.

As far as the outlook for the new crop is concerned, it is perhaps, true that the government's percentage figures were somewhat misleading. There is no doubt that the condition of the crop today is better than 70 per cent of what is normal for this season of the year. Of course, the government figures carry the crop up only to May 25, and since that time conditions have shown the improvement which is natural at this season of the year. June is usually, almost invariably, a month of fine weather in the belt.

Many well posted cotton men believe that the crop today has as good a start as that of last year at this date. There will probably be few complaints of crop conditions for the next two months, and unless there should be exceptionally bad weather next August, conditions will be normal up to the critical Fall period. With a reduction in acreage, however, which is generally believed to have been at least 4 per cent, there is no chance for an exceptionally large crop. After all, however, it is largely a waste of time to consider crop conditions when the market is simply a question of war conditions.

Grains Discount Crop News

By P. S. KRECKER

GRAIN markets have been discounting crop news of favorable character by declining in all departments. Wheat, indeed, could do little else with buying privileges limited and selling unrestricted, but there would have been no such pronounced decline had not the outlook for the crop improved to a material degree. It is fortunate that this decline has taken place because it has tended to allay public apprehension, aroused to a panicky pitch by the alarmistic utterances of public men. Moreover, if wheat works down to a reasonable price, the chances will increase for removal of restrictions on trading in wheat options. The possibilities of restoration of full trading privileges in the wheat pit at the end of the period fixed by the officers of the Chicago Board of Trade are already being discussed in grain circles with some degree of confidence, but it would be premature to make any positive predictions.

Whatever the ultimate decision of the authorities regarding the removal of restrictions on trading in wheat options, the price of the commodity itself will be governed by the laws of supply and demand. Complete prohibition of business in options would not prevent wheat from

rising to its old high level or even above it, should the crop prove seriously short of world's requirements, and its fluctuations would in all probability, be far more violent than they would be should the exchanges remain open. The extreme rise of wheat last month was due to hoarding by holders during a period of unusual scarcity, far more than it was to any operations on the exchanges, and the current decline is due less to the placing of restrictions on trading in the future markets than it is to a natural discounting of increasing supplies. In fact, it is entirely likely that wheat options would have declined as they recently have even if the trading privileges had remained unrestricted last month, although it is within the realm of possibilities that the price in the meantime would have gone higher. June is proverbially a period of crop improvement. Vegetation always looks its best this month.

Grain needs of Europe this coming crop year will be the largest of any period since the war started. Mr. Herbert C. Hoover estimates that the Continent will require 500,000,000 bushels of imported wheat alone and that it will need another 500,000,000 bushels of other grains, or a grand total of upwards of 1,000,000,000 bushels of grain. The United States and Canada will be called upon to furnish the bulk of this huge quantity. Russia, Roumania and Bulgaria cannot export wheat. India, Australia and the Argentine are handicapped by lack of shipping. The principal importing countries of Europe since the war began have been the United Kingdom, France and Italy. The Teutonic countries are cut off while importations of Holland and other neutral countries have been greatly reduced owing to the operations of the sea blockade.

Imports of other grains by the countries mentioned are unimportant. With the exception of barley of which the United Kingdom imported 38,884,000 bushels in 1916; 31,718,000 bushels in 1915 and 44,887,000 bushels in 1914, they can be virtually ignored in making calculations.

Wheat importations may be estimated at 370,000,000 minimum, while oats probably will reach 170,000,000 and corn in the neighborhood of 80,000,000 bushels, making a grand total of 620,000,000 bushels. The marked feature of these imports is the progressive increase in the importations of oats which have been larger each year and during the current crop year will exceed the previous high totals.

Domestic consumption of coarse grains will be heavier this ensuing crop year than ever before because of the high price of wheat and the necessity of substituting corn and oats whereever possible. Subsidence of the food scare has caused Congress to shelve for the time being proposed legislation bearing on the food supply, but such legislation is likely to arise ultimately out of the situation and it may take the form of removing the inhibition on mixing of coarse grains with wheat in the milling of flour. The past year has witnessed a voluntary reduction in the per capita consumption of wheat which, according to the Chicago *Daily Trade Bulletin,* was reduced to 4¾ bushels compared with a normal consumption of 5¼ bushels per capita.

Prospects for a larger wheat crop in Australia are described as favorable. The area will be larger, authorities in that country say, while conditions for seeding are satisfactory. The Australian government has guaranteed growers a dollar a bushel of 60 pounds. Australia still has a large surplus from the last crop which is moving slowly on account of scarcity of tonnage. Canadian crop prospects are also good. Estimates of the acreage planted in Western Canada make wheat 12,140,000 acres and oats 8,250,000 acres. Wheat seeding has been completed and oats nearly so. The average yield of wheat per acre in Western Canada during the past twenty years has been 19 bushels and of oats 40 bushels and the acreages therefore suggest a somewhat larger yield than last season. The wheat situation in the Argentine remains somewhat obscure. The Minister of Agriculture estimates stocks of wheat at 69,000,000 bushels; seed requirements as 15,200,000 bushels and domestic consumption as 45,000,000.